XINGDA INTERNATIONAL HOLDINGS LIMITED
興達國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)

ANNUAL REPORT

2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Jinlan *(Chairman)*
Mr. LIU Xiang
Mr. TAO Jinxiang
Mr. ZHANG Yuxiao

Non-executive Director

Ms. WU Xiaohui

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis
Mr. William John SHARP
Ms. XU Chunhua

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis *(Chairman)*
Mr. William John SHARP
Ms. XU Chunhua

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Mr. William John SHARP *(Chairman)*
Mr. KOO Fook Sun, Louis

COMPANY SECRETARY

Mr. CHENG Kam Ho, CPA

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:

Deacons

As to PRC Law:

Jingtian & Gongcheng

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR RELATIONS

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Unit A, 29th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

6th Floor, No. 20, Lane 599
Yunling Road (East)
Putuo District
Shanghai 200062
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3506, 35th Floor
Central Plaza, 18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch:

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

01899

WEBSITE

www.irasia.com/listco/hk/xingda/index.htm

Financial Highlights

	2011 *RMB in million*	2010 *RMB in million*	Change
OPERATING RESULTS			
Revenue	**5,551.4**	5,430.2	+2.2%
Gross profit	**1,298.5**	1,635.6	–20.6%
EBITDA(1)	**1,165.3**	1,664.5	–30.0%
Profit for the year	**562.7**	1,055.5	–46.7%
Profit attributable to owners of the Company	**418.1**	792.0	–47.2%
Earnings per share – basic (RMB fen)	**27.42**	55.49	–50.6%

	2011 *RMB in million*	2010 *RMB in million*	Change
FINANCIAL POSITION			
Total assets	**9,608.9**	8,520.0	+12.8%
Total liabilities	**3,319.0**	2,589.9	+28.2%
Net assets	**6,289.9**	5,930.1	+6.1%
Equity attributable to owners of the Company	**4,849.0**	4,633.7	+4.6%

	2011	2010
KEY RATIOS		
Gross profit margin (2)	**23.4%**	30.1%
EBITDA margin (3)	**21.0%**	30.7%
Return on equity (4)	**8.6%**	17.1%
Current ratio (5)	**1.51**	2.03
Gearing ratio (6)	**19.3%**	17.5%
Net debts to equity ratio (7)	**23.1%**	8.1%

Notes:

(1) It is arrived at profit for the year before finance costs, income tax expense, depreciation and amortization.

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

(4) Profit for the year attributable to owners of the Company divided by equity attributable to owners of the Company.

(5) Current assets divided by current liabilities.

(6) Total debts (bank borrowings) divided by total assets.

(7) Total debts (bank borrowings) less cash and bank balances divided by equity attributable to owners of the Company.

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group" or "Xingda") for the year ended 31 December 2011.

The financial turmoil caused by the US and European debt crises in the second half of 2011 slowed down the gradual global economic recovery over the previous two years. In addition, China's tighter monetary policy has created a more challenging domestic business environment. Leveraging its competitive advantages and strong financial position, Xingda has minimised the impact of the adverse macroeconomic condition and achieved modest growth. For the year ended 31 December 2011, the Group's revenue increased by 2.2% to RMB5,551 million while gross profit dropped by 20.6% to RMB1,298 million. Profit attributable to owners of the Company in 2011 was RMB418 million, a decrease of 47.2% over 2010. Basic earnings per share per share was RMB27.42 fen, a year-on-year decrease of 50.6%.

The Board of Directors has proposed a final dividend of 20 HK cents per share or approximately RMB16.21 fen per share for the year ended 31 December 2011 (2010: 15 HK cents per share or approximately RMB12.76 fen per share).

China's tighter monetary policy has slowed down infrastructure and property development in China reducing both freight and domestic road traffic; and weakened the demand for truck tires. Our peers have adopted aggressive pricing strategy to boost sales in order to counter the softer market. To overcome these challenges, we have adjusted our selling prices and adopted stringent cost control measures. Leveraging our strong relationships with our customers forged over the years, Xingda has maintained its industry leadership in China. Besides, Xingda has also made good progress in developing overseas markets. More and more renowned foreign tire manufacturers have recognised the quality of our products, enhancing our brand profile in overseas market, and increasing our direct export sales.

To further strengthen our radial tire cord business in China, a wholly owned subsidiary of the Company, Faith Maple International Ltd., has formed a jointly controlled entity, Shandong Xingda Steel Tyre Cord Co., Ltd., with Guang Rao Hong Kai Investment Company Limited and Guang Rao Hong Yuan Investment Company Limited in July 2011. Based in Shandong, China, the principal businesses of the jointly controlled entity are production and sale of radial tire cords and hose wires. As the jointly controlled entity is aligned with one of the Group's core business strategies, we believe this initiative will bolster the competiveness of the Group in that region.

During the year, the overall capacity utilisation rate was decreased to 77% from 85% in 2010. The construction of the Group's No. 9 factory and the first phase of the Shandong factory are scheduled to be completed in 2013, adding a new capacity of about 50,000 metric tonnes per annum. We will prudently execute our plans to expand production capacity with reference to the market conditions.

The damages related to the fire at the Group's No. 8 factory in Jiangsu in February 2011 amounting to approximately RMB135 million were fully covered by the Group's insurance policy. Full compensation from the underwriters has been received during the year, thus, the Group's financial result for the year was not materially affected.

Xingda views its employees as its greatest asset. Since 2009 the Group has launched a share award incentive scheme to retain and encourage the commitment of our outstanding employees. In September 2011, the Group launched the second batch incentive scheme and bought 5,000,000 Xingda shares on the public market. As at 31 December 2011, two-thirds of the first batch of 5,000,000 Xingda shares under the award scheme have been awarded to selected employees and the rest are expected to be allocated before or in 2013. All the shares under the second batch are expected to be allocated in a three-year period starting from 2013.

On behalf of Xingda, I would like to express my heartfelt thanks to our shareholders, customers and suppliers for their continuous trust and support. My sincere gratitude is also extended to every employee of Xingda for their contribution to the development of the Group. We intend to adhere to our strategic plan to capture business opportunities and maximise growth in both China's and overseas markets, in order to maintain Xingda's leading position in the radial tire cord industry and strive to achieve better returns to our shareholders.

Liu Jinlan
Chairman
Shanghai, PRC, 23 March 2012

Management Discussion And Analysis

INDUSTRY OVERVIEW

Due to the weak global economy and tightening of monetary policy in China in 2011, the rapid growth of the Chinese automobile industry in previous years has slowed down. The China Association of Automobile Manufacturers reported the country's overall vehicle production to be approximately 18,418,900 units, a similar level with last year (2010: 18,505,100 units). The country's production for passenger cars recorded a moderate year-on-year growth of 7.9% to 482,600 units, while production for trucks dropped 7.04% to 2,653,700 units. The decline in new trucks was mainly caused by the sluggish sentiment towards fixed asset investment in the PRC during the second half of 2011, which reduced average daily truck traffic and subsequently lowered the demand for trucks.

The China Rubber Industry Association announced that China's tire output in 2011 totalled 456 million units, a year-on-year growth of 2.93%, of which 398 million units were radial tires, an overall radialisation rate of 87%, steadily progressing towards the target set by China's Ministry of Industry and Information Technology. By leveraging its competitive advantages, Xingda is able to tap this market opportunity in the long run, and strategically develop in a stable manner within the radial tire cord industry.

BUSINESS REVIEW

In 2011, despite the downtrend in the global economy which slowed down China's economic growth and weakened the domestic passenger car and truck demand, strong domestic replacement demand in passenger car tires and fast growing export sales led to a moderate increase in the Group's total sales volume of 3.1% to 455,600 tonnes. During the year, sales volume of radial tire cords rose by 3.0% to 383,400 tonnes, accounting for 84.1% of total sales volume (2010: 84.2%), whereas the sales volume of bead wires slightly declined by 2.1% to 68,300 tonnes, accounting for 15.0% of total sales volume of the Group (2010: 15.8%). The new product, sawing wire, recorded a sales volume of 3,900 tonnes, accounting for 0.9% of the Group's total sales volume.

Sales volume of the Group's radial tire cords for trucks declined by 7.5% to 255,300 tonnes due to the softened economic growth in China. However, the Group was able to ride on the fast growing market for passenger cars in China and more overseas orders which in turn spurred a 33.2% rise in the sales volume of radial tire cords for passenger cars to 128,100 tonnes during the year under review. The sales volumes of radial tire cords for trucks and passenger cars contributed 66.6% and 33.4% respectively of the Group's total sales volume of radial tire cords (2010: 74.2% and 25.8%).

Sales Volume	**2011** ***Tonnes***	2010 *Tonnes*	Change
Radial Tire Cords	**383,400**	372,300	+3.0%
– *For Trucks*	***255,300***	*276,100*	*–7.5%*
– *For Passenger Cars*	***128,100***	*96,200*	*+33.2%*
Bead Wires	**68,300**	69,800	–2.1%
Sawing Wires	**3,900**	—	—
Total	**455,600**	442,100	+3.1%

Amid the weakened infrastructure and property sectors, domestic sales volume of radial tire cords recorded a slight decrease of 3.0% to 314,100 tonnes in 2011, and accounted for 82% of the Group's total volume of radial tire cords sold (2010: 87%). Xingda strived to consolidate its leading position in the PRC market while continued to place higher importance on overseas markets. In 2011, overseas sales of radial tire cords rose by 43% to 69,300 tonnes as Xingda's products have been recognised by more and more global tire manufacturers. Export sales accounted for 18% of total sales volume of radial tire cords in 2011 (2010: 13%).

Xingda successfully expanded its business into the solar power industry and commenced mass production in sawing wire since December 2010. In 2011, the Group sold 3,900 tonnes of sawing wire to several major solar panels and cells manufacturers in China. Although revenue contributed by sawing wires was lower than expected in the second half of 2011 caused by a weaker demand from the solar wafer industry, the Group gained some major solar panel makers in China to broaden its customer base.

In July 2011, Faith Maple International Ltd., a wholly owned subsidiary of the Company, formed a jointly controlled entity, Shandong Xingda Steel Tyre Cord Co., Ltd., with Guang Rao Hong Kai Investment Company Limited and Guang Rao Hong Yuan Investment Company Limited. The main businesses of the jointly controlled entity are manufacturing and sale of radial tire cords and hose wires. A new factory will be built in Shandong to accommodate the growing businesses of the jointly controlled entity, and is expected to commence operation in 2013. The management believes that the jointly controlled entity will bolster the competiveness of the Group in that region.

During the year under review, Xingda continued to strive to improve the quality of its products and production facilities. By the end of 2011, the Group's annual production capacity for radial tire cords reached 500,000 tonnes (2010: 430,000 tonnes), while that for bead wires reached 100,000 tonnes (2010: 81,000 tonnes) and that for sawing wires 12,000 tonnes.

	2011 Production Capacity (Tonnes)	**2011 Utilization Rate**	2010 Production Capacity (Tonnes)	2010 Utilization Rate
Radial Tire Cords	**500,000**	**79%**	430,000	85%
Bead Wires	**100,000**	**70%**	81,000	84%
Sawing Wires	**12,000**	**35%**	—	—

Moreover, the Group continued to carefully monitor the market demand and prudently implement the production expansion plan of its No. 9 factory in Jiangsu and the new factory in Shandong so as to maintain a high utilisation rate. At the end of 2011, the Group's production capacity for radial tire cords, bead wires and sawing wire were 500,000 tonnes, 100,000 tonnes and 12,000 tonnes respectively. Xingda's overall utilisation rate in 2011 decreased by 8 percentage points to 77%.

To provide greater product diversity for customers, Xingda developed 13 new types of radial tire cord, 11 new types of bead wire and 5 types of sawing wire. As at the end of 2011, the Group offered a comprehensive range of products, including 162 types of radial tire cord, 61 types of bead wire and 8 types of sawing wire to customers (2010: 149 types of radial tire cord, 50 types of bead wire and 3 types of sawing wire).

Management Discussion And Analysis

FINANCIAL REVIEW

REVENUE

The Group's revenue breakdown by product category is as follows:

RMB in million	**2011**	**Proportion**	2010	Proportion	Change(%)
Radial Tire Cords	**4,918**	**88%**	5,007	92%	–1.8
– *For trucks*	***3,409***	***61%***	*3,865*	*71%*	*–11.8*
– *For passenger cars*	***1,509***	***27%***	*1,142*	*21%*	*+32.1*
Bead wires	**418**	**8%**	423	8%	–1.2
Sawing wires	**215**	**4%**	—	—	—
Total	**5,551**	**100%**	5,430	100%	+2.2

By maintaining its own industry-leading advantages and leading market share, the Group's total revenue rose by 2.2% or RMB121 million to RMB5,551 million in 2011. Domestic and overseas markets contributed 82.7% and 17.3% respectively of the Group's total sales revenue (2010: 87.7% and 12.3%).

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit decreased by 20.6% or RMB337.1 million to RMB1,298.5 million in 2011 (2010: RMB1,635.6 million) due to higher major raw materials costs and decline on average selling prices for both radial tire cord products and sawing wire products. Consequently, gross profit margin dropped to 23.4% (2010: 30.1%). During the year, the major raw material, steel rods accounted for 58.3% of the Group's cost of sales (2010: 55.2%).

OTHER INCOME

Other income increased by RMB6.1 million or 8.2% from RMB74.2 million in 2010 to RMB80.3 million for the year under review. The increase was mainly attributable to the increase in bank interest income and discounts received from suppliers.

GOVERNMENT GRANT

Government grants for the year rose by 96.9% from RMB32.5 million in 2010 to RMB64.0 million due to the increase in subsidies from the local government.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by RMB69.3 million or 25.5% from RMB271.7 million in 2010 to RMB341.0 million. The increase was mainly caused by the corresponding rise in transportation costs for a higher sales volume as well as the shipping cost and storage cost associated with export sales.

ADMINISTRATIVE EXPENSES AND OTHER EXPENSES AND LOSSES, NET

Administrative expenses for 2011 decreased by RMB9.2 million or 3.8% to RMB231.5 million when compared to 2010, which was mainly attributable to the decrease in administrative staff costs and benefits. Other expenses and losses, net increased by RMB4.9 million or 6.4% from RMB76.9 million in 2010 to RMB81.8 million in 2011 was due to an increase in net foreign exchange loss and research and development expenditure partially offset by the decline in the loss on disposal of property, plant and equipment and provision for trade receivables.

FINANCE COSTS

Finance costs rose by RMB36.3 million or 61.7% to RMB95.1 million from RMB58.8 million in 2010. The increase was mainly caused by the higher weighted average interest rates and increase in average bank borrowings in 2011.

INCOME TAX

The Group's income tax charge decreased by RMB96.3 million to RMB128.9 million with an effective tax rate of 18.6% (2010:17.6%). The increased effective tax rate was caused by the decline in deferred tax credit for the year ended 31 December 2011.

NET PROFIT

Taking the above factors into account, the Group's net profit for the year ended 31 December 2011 decreased by RMB492.8 million or 46.7% from RMB1,055.5 million in 2010 to RMB562.7 million. If the gain on disposal of available-for-sale investments from non-operating activities (net of tax) and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2011 would be RMB580.0 million, representing a decrease of RMB327.0 million or 36.1% when compared with the previous year.

RECONCILIATION OF REPORT PROFIT AND UNDERLYING PROFIT

	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**562,655**	1,055,453
Gain on disposal of available-for-sale investments from non-operating activities (net of tax)	**—**	(158,389)
Net exchange loss arising from non-operating activities	**17,359**	9,903
Underlying profit for the year	**580,014**	906,967
Underlying profit for the year attributable to:		
Owners of the Company	**435,477**	691,718
Non-controlling interests	**144,537**	215,249
	580,014	906,967

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year, there was no change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flows generated from operating and financing activities whereas the principal uses of cash were operational costs and expansion of production capacity.

Bank balances and cash including bank deposits of the Group decreased by RMB416.0 million from RMB1,146.9 million as at 31 December 2010 to RMB730.9 million as at 31 December 2011. The decrease was due to the net cash outflows of RMB932.0 million from investing activities exceeding the cash generated from operating activities of RMB459.3 million and financing activities of RMB56.7 million.

Bank borrowings which were all in Renminbi increased by RMB357.7 million or 24.0% to RMB1,850.0 million as at 31 December 2011 from RMB1,492.3 million as at 31 December 2010. The bank borrowings carry interest at market rates from 5.19% to 6.56% (2010: 4.37% to 4.86%) and are repayable within one year from 31 December 2011.

The Group's current assets increased by 13.1% to RMB4,983.0 million as at 31 December 2011 from RMB4,404.0 million as at 31 December 2010 and its current liabilities increased by 52.7% from RMB2,166.9 million as at 31 December 2010 to RMB3,309.0 million as at 31 December 2011. The Group's current ratio, being defined as current assets over current liabilities, dropped from 2.03 times as at 31 December 2010 to 1.51 times as at 31 December 2011. The decline was mainly caused by the increase in bank borrowings repayable within one year and decrease in bank balances and cash. The gearing ratio which is measured by total debts (bank borrowings) to total assets increased from 17.5% as at 31 December 2010 to 19.3% as at 31 December 2011 due to an increase in bank borrowings repayable within one year.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and Euro. Since more than half of the sales proceeds in US dollars and Euro have been used to purchase imported raw materials in the same currencies, the appreciation of the Renminbi did not have a materially unfavourable effect on the operating results of the Group in 2011.

Apart from certain bank and debtors' balances in Hong Kong dollars, US dollars and Euro, almost all of the assets and liabilities of the Group were denominated in Renminbi, the Group was not exposed to significant foreign exchange risk. Thus, during the year under review, exchange rate fluctuation had not caused material adverse impact on the operation or liquidity of the Group. Accordingly, the Group did not enter any financial derivative instruments to hedge against foreign exchange currency exposure during the year under review. However, the Group will closely monitor the impact of change in value of the Renminbi on its operation and consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the year ended 31 December 2011, capital expenditure of the Group for property, plant and equipment amounted to RMB756.9 million (2010: RMB865.0 million).

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had made capital commitment of approximately RMB61.4 million (31 December 2010: RMB53.4 million) for acquisition of property, plant and equipment contracted for but not provided in the financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted for in both years.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2011 and 31 December 2010.

PLEDGE OF ASSETS

As at 31 December 2011, the Group pledged bank deposits of RMB108.3 million to secure its bank borrowings (31 December 2010: RMB16.4 million). And the carrying amount of the short-term trade receivables and notes receivable, which have been pledged as security for the bank borrowings, are RMB50,719,000 and RMB250,000,000 respectively (2010: Nil).

SIGNIFICANT INVESTMENTS

Except for the investment in the jointly controlled entity, Shandong Xingda Steel Tyre Cord Co., Ltd amounting to RMB244.6 million, the Group had no other significant external investments for the year ended 31 December 2011 and 31 December 2010.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the years ended 31 December 2011 and 31 December 2010.

HUMAN RESOURCES

As at 31 December 2011, the Group had approximately 7,500 (31 December 2010: approximately 7,800) full time employees. Total staff costs including directors' remuneration for the year ended 31 December 2011 was approximately RMB416.6 million (2010: approximately RMB385.4 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the year ended 31 December 2011, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB6.9 million (2010: RMB6.8 million).

According to the Social Insurance Regulations published by the State Council of China on 14 January 1999, the Group is required to make contributions to pension funds and insurance policies for its employees. Full-time employees of the Group in China are covered by the contributory pension scheme managed by the state entitling them to a monthly pension after they retire. The PRC Government is responsible for crediting the pension to the retired and the Group is required to make annual contributions to the retirement scheme run by the Xinghua Municipality at a specified rate. The contribution is booked in due course as an operating expense of the Group. Under the scheme, no forfeited contributions are available to reduce the existing level of contributions. Apart from the pension funds, the Group has provided medical, personal accident and unemployment insurance policies for its employees.

In 2009, the Board adopted a share award scheme to encourage and retain elite employees to stay with the Group and to provide incentives to achieve performance goals with a view to attaining the objectives of increasing the value of the Group and aligning the interests of selected employees directly to the shareholders of the Company through ownership of shares. Pursuant to the scheme, shares will be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the relevant selected employees until such shares are vested in the relevant selected employees in accordance with the provisions of the scheme. In 2010, 5,000,000 Company's shares (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 Company's shares (the "Second Batch Shares") were purchased by the trustee on the public market. The total consideration and other directly attributable incremental costs of the Second Batch Shares purchased under the share award scheme in an aggregate amount of approximately RMB17.7 million were recognised in the reserve of the Company. As at 31 December 2011, two-thirds of the First Batch Shares held under share award scheme have been allocated to selected employees and the rest of the First Batch Shares are expected to be awardable before or in 2013. The Second Batch Shares will be allocated to selected employees in a three-year period commencing from 2013.

PROSPECTS

Against the backdrop of global economic uncertainty and the continued monetary tightening measures implemented by the Chinese Government, China's economy is expected to grow at a slower pace compared with previous years. Nevertheless, China's ongoing urbanisation and guidance by the "Twelfth Five-Year Plan" would continue to stimulate the development of infrastructure within the country. This, in turn would spur the replacement demand for truck tires, thereby alleviating the negative impact brought about by the ensuing financial turmoil. The rally in automobile ownership and exports would add impetus to the replacement demand for passenger car tires. Market demand should be further reinforced by the Chinese Government's target to achieve a radialisation rate exceeding 95% for truck tires. All these trends will allow Xingda to maintain a stable growth in medium term.

Foreseeing a steady yet increasingly competitive radial tire cord industry in China, Xingda will tighten its cost control procedures, enhance production efficiency and cautiously monitor its capacity expansion plan to accommodate future market trends. At the same time, leveraging its established relationships built up with renowned foreign tire manufacturers in recent years, Xingda will step up efforts to strengthen its overseas business, with an aim to enhance its brand profile and increase the revenue contribution from overseas.

Looking ahead, riding on its competitive advantages, distinguished reputation and solid financial position, Xingda will be able to stand firm amidst the competitive industry environment and maintain its leading position in China. The Group will also advance steadily towards its goal to become the world's largest radial tire cord manufacturer.

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 62, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He has also been a director of Faith Maple International Ltd. ("Faith Maple") since 16 June 2004, a director of 興達國際（上海）特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.*) ("Xingda International (Shanghai)") since 18 September 2006 and a director of 江蘇興達特種金屬複合線有限公司 (Jiangsu Xingda Special Cord Co., Ltd.*) ("Xingda Special Cord") since 13 June 2007. Both Faith Maple and Xingda International (Shanghai) are wholly-owned subsidiaries of the Company whereas Xingda Special Cord is a non-wholly owned subsidiary of the Company. He joined Xingda Steel Tyre Cord Group, the predecessor of 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.*) ("Jiangsu Xingda") since May 1994 and has been a director of Jiangsu Xingda since its establishment in 1998. He is also the sole director of Great Trade Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Liu was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by the State Council in 2005. He was recognized as 中國橡膠工業科學發展帶頭人 (Leader in Technology Development in China Rubber Industry*) by the China Rubber Industry Association in April 2005 and was awarded 科技進步獎一等獎 (the Technology Improvement Award (First Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by 中國石油和化學工業協會 (China Petroleum and Chemical Industry Association*) in December 2003 and 全國五一勞動節獎章 (the National 1 May Labor medal*) by 中華全國總工會 (All China Federation of Trade Unions*) in April 2003. He is a senior engineer. Mr. Liu has more than 16 years of experience in the radial tire cord manufacturing industry. He is the father of Mr. Liu Xiang, who is an executive Director of the Company.

Mr. LIU Xiang (劉祥), aged 35, has been an executive Director since August 2005. He has also been a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. He is also the sole director of In-Plus Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan*) of 中國人民解放軍 (the People's Liberation Army*) in 2004. In 2009, he graduated from Fudan University with a master's degree in business administration. Mr. Liu has approximately 16 years of experience in the radial tire cord manufacturing industry. He is the son of Mr. Liu Jinlan, who is an executive Director of the Company.

Mr. TAO Jinxiang (陶進祥), aged 49, has been an executive Director since August 2005. He has also been a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in May 1994, and since the establishment of Jiangsu Xingda in 1998, he has been a vice president and a director of the sales and marketing department of Jiangsu Xingda with the overall responsibility of formulating sales and marketing plans. He is also the sole director of Perfect Sino Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. He attended senior sales and marketing executives training classes organized by 職業經理訓練中心 (Executives Training Centre*) of Tsinghua University and obtained a certificate in May 2004. Mr. Tao has more than 16 years of experience in the radial tire cord manufacturing industry.

Directors' and Senior Management's Biographies

Mr. ZHANG Yuxiao (張宇曉), aged 42, has been an executive Director and Chief Financial Officer of the Company since August 2005. He has also been a director of Jiangsu Xingda since 25 January 2003, a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He joined Jiangsu Xingda in January 2000 and has been a vice president of Jiangsu Xingda since then. He is responsible for accounting and finance and international market development. From 1995 to 2000, he was the vice president of Clemente Capital (Asia) Limited and was responsible for investment management. Mr. Zhang obtained a bachelor's degree in sciences from Fudan University in July 1991. Mr. Zhang has more than 11 years of experience in the radial tire cord manufacturing industry.

NON-EXECUTIVE DIRECTOR

Ms. WU Xiaohui (鄔小蕙), aged 51, has been a non-executive Director since August 2005. Ms. Wu has been the Chief Financial Officer of China National Cereals, Oils and Foodstuffs Import and Export Corporation ("COFCO") since February 2002 and has also been the general manager of the COFCO Financial Business Centre since October 2004. She joined COFCO in August 1986 and had served in various positions. She was the director of the Finance Department of COFCO from July 2000 to February 2002. She currently serves as a supervisor of Industrial Bank Co. Ltd (a company listed on the Shanghai Stock Exchange). In 2009, she resigned as a director of 中信證券有限公司 (CITIC Securities Brokerage Limited*) (a company listed on the Shanghai Stock Exchange). She graduated from 首都經貿大學 (the Capital University of Economics and Business*) with a master's degree in economics in July 2002 and from 中國人民大學一分校 (The First Branch Campus of Renmin University of China*) with a bachelor's degree in economics in July 1986. Ms. Wu has over 24 years of experience in finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 55, has been an independent non-executive Director since August 2005. Mr. Koo is the managing director of Hercules Capital Limited, a corporate finance advisory firm. Prior to the founding of Hercules Capital Limited, he was the managing director and head of corporate finance department of a major international bank, and a director and chief executive officer of a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo also serves currently as an independent non-executive director of Good Friend International Holdings Inc., Li Ning Company Limited, Midland Holdings Limited, Richfield Group Holdings Limited and Weichai Power Company Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). From September 2006 to December 2009, Mr. Koo served as an independent non-executive director of China Communications Construction Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange); and from January 2007 to October 2009, he was the Vice Chairman, Chief Financial Officer, Treasurer and Principal Accounting Officer of 2020 ChinaCap Acquirco, Inc. (a company listed on NYSE Euronext). Mr. Koo graduated with a bachelor's degree in business administration from University of California, Berkeley in the United States of America and is a certified public accountant.

Mr. William John SHARP, aged 70, has been an independent non-executive Director since August 2005. He is a director of Ferro Corporation (FOE), a manufacturer of performance materials listed on the NYSE. He is also an independent director of China Zenix Auto International Limited, a commercial vehicle wheel manufacturer, listed on the NYSE. Mr. Sharp served as an independent non-executive director of Exceed Co Ltd (EDS) (a company listed on the NASDAQ) and resigned from his position on 4 February 2012. He joined The Goodyear Tire & Rubber Company in 1964 and was the President of its North American Tire group between 1999 and 2000. Prior to that, he was the President of its Global Support Operations between 1996 and 1999, and the President of Goodyear Europe from 1992 to 1996. Mr. Sharp graduated with a bachelor's degree of science, majoring in industrial engineering, from The Ohio State University in 1963 and has more than 44 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 68, has been an independent non-executive Director since August 2005. She has served in various positions in Beijing Research and Design Institute of Rubber Industry since 1965. She was the deputy dean in charge of technology research and development between 1995 and 2003. She was also the person in charge of the "高速、低滾動阻力子午線輪胎系列產品生產技術開發" (Development of Production Techniques for Radial Tyre Products of High Speed and Low Rolling Resistance*) project, one of the "九五" 國家重點科技攻關項目 (Key Technologies Research and Development Program for the Ninth "Five-Year Plan"*) in 1995. Ms. Xu has been the deputy chairman of the China Rubber Industry Association since 2004. She has been the head of 骨架材料專業委員會 (the skeleton materials committee*) and 橡膠助劑專業委員會 (the rubber chemicals committee*) since 2002 and 2001, respectively. From December 2006 to August 2007, she was a director of 青島高校軟控股份有限公司 (Qingdao Mesnac Co., Ltd.*), a company listed on the Small & Medium Enterprise Board of the Shenzhen Stock Exchange. Since May 2007, she has served as an independent director of China Sunsine Chemical Holdings Ltd., a company listed on the Singapore Exchange Limited. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 44 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 36, is the company secretary of the Company. Mr. Cheng joined the Company as a member of its senior management in July 2008. He has more than 12 years of experience in finance, accounting and auditing. Mr. Cheng worked in accounting firms in Hong Kong from July 1998 to June 2008 before joining the Company. He has been a member of the Hong Kong Institute of Certified Public Accountants since 19 July 2005. Mr. Cheng graduated from The Hong Kong Polytechnic University with the degree of Bachelor of Arts in Accountancy in 1998.

* *denotes an English translation of a Chinese name*

Directors' Report

The directors of the Company (where the context permits and where relevant, including Mr. Cao Junyong who has resigned on 13 April 2011 and Mr. Zhou Mingchen who has retired on 27 May 2011) ("Directors") present their annual report and the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of radial tire cords, bead wires and sawing wires. The Company acts as an investment holding company. The principal activities of the principal subsidiaries of the Company are set out in note 37 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 35 of the annual report.

A final dividend of 15.00 HK cents per share for the year ended 31 December 2010 was paid to the shareholders of the Company during the year ended 31 December 2011.

The Board has recommended the payment of a final dividend of 20.00 HK cents (approximately RMB 16.21 fen) per share for the financial year ended 31 December 2011 to the shareholders whose names appear on the register of members of the Company on Wednesday, 30 May 2012. The final dividend will be payable on Friday, 29 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Friday, 18 May 2012, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 May 2012.

The proposed final dividend for the year ended 31 December 2011 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 18 May 2012. The register of members of the Company will be closed from Monday, 28 May 2012 to Wednesday, 30 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 May 2012.

DONATION

During the year, the Group did not make any charitable donations.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements, is set out on pages 93 and 94 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

USE OF PROCEEDS

The net proceeds from the Company's offering of new shares at its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") amounting to approximately HKD1,087 million are intended to be applied for the following purposes:

- approximately HKD550 million is intended for the expansion of the production capacity of the production facilities;
- approximately HKD70 million is intended for the installation of a manufacturing execution system (MES) and logistics management system;
- approximately HKD250 million is intended for implementing the overseas expansion strategies through acquisition of suitable business targets;
- approximately HKD180 million is intended for the set-up of international development departments; and
- the remaining balance of approximately HKD37 million is intended to be used as general working capital.

Up to 31 December 2011, the Group has utilised approximately HKD682 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006	Actual uses of funds during the year ended 31 December 2011	Balance of net proceeds as at 31 December 2011
	HKD'000	*HKD'000*	*HKD'000*
Expansion of the production capacity of the production facilities	550,000	550,000	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	5,469	64,531
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000
Set-up of international development departments	180,000	89,358	90,642
Working capital	37,000	37,000	–
Total	1,087,000	681,827	405,173

The remaining amount of approximately HKD405 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the prospectus of the Company dated 8 December 2006 ("Prospectus").

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010 were also placed in short term deposits with licensed banks in Hong Kong. During the year, approximately HKD298 million and HKD194 million out of the proceeds were utilized for enhancing the production facilities of a jointly controlled entity invested by the Group and financing the working capital respectively. The remaining proceeds of approximately HKD 249 million are expected to be used to further enhance production facilities of the Group and to finance the development of new products of the Group as well the general working capital of the Company.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB1,169.7 million as at 31 December 2011 (2010: RMB1,432.6 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association (the "Articles of Association"), dividends shall be distributed out of the retained profits or other reserves, including share premium and contributed surplus, of the Company.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2011 are set out in note 29 to the financial statements and the Management Discussion and Analysis Section of this annual report.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:
Mr. LIU Jinlan *(Chairman)*
Mr. LIU Xiang
Mr. TAO Jinxiang
Mr. CAO Junyong (Resigned on 13 April 2011)
Mr. ZHANG Yuxiao

Non-executive Directors:
Ms. WU Xiaohui
Mr. ZHOU Mingchen (Retired on 27 May 2011)

Independent Non-executive Directors:
Mr. KOO Fook Sun, Louis
Mr. William John SHARP
Ms. XU Chunhua

Pursuant to Article 87 of the Articles of Association, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Ms. Wu Xiaohui, and Mr. William John Sharp will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The biographical details of the Directors and senior management of the Group are set out on pages 13 to 15 of this annual report.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers that, as at the date of this annual report, all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years. Thereafter, the term will continue subject to termination by the Company by giving three months' prior written notice to the relevant Director.

Each of the non-executive Directors has entered into a service agreement with the Company for a period of three years, upon the expiration of which the service agreement shall lapse and expire, and subject to termination at any time by either party giving not less than three months' prior notice in writing to the other party.

Each of the independent non-executive Directors has signed a letter of appointment for a term of three years which is determinable by either party at any time by giving to the other not less than three months' prior written notice. Thereafter, the term shall continue subject to termination by either party by giving to the other not less than three months' prior written notice.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2011, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies ("Model Code"), were as follows:

(1) LONG POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 31 December 2011
Liu Jinlan	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	566,474,000	37.15%
Liu Xiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 2)*	566,474,000	37.15%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 3)*	566,474,000	37.15%
Zhang Yuxiao	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 4)*	566,474,000	37.15%
Koo Fook Sun, Louis	Beneficial owner	17,000	0.00%
William John Sharp	Beneficial owner	17,000	0.00%
Xu Chunhua	Beneficial owner	34,000	0.00%

Notes:

1. Mr. Liu Jinlan held 800,000 shares in his own name as at 31 December 2011. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 31 December 2011, Great Trade Limited held 238,348,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

2. Mr. Liu Xiang held 400,000 shares in his own name as at 31 December 2011. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 31 December 2011, In-Plus Limited held 135,064,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

3. Mr. Tao Jinxiang held 400,000 shares in his own name as at 31 December 2011. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 31 December 2011, Perfect Sino Limited held 111,229,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

4. Mr. Zhang Yuxiao held 383,000 shares in his own name as at 31 December 2011. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 31 December 2011, Power Aim Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

(2) LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE ASSOCIATED CORPORATION OF THE COMPANY

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 31 December 2011
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 31 December 2011, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share award scheme adopted by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share-award scheme for the year ended 31 December 2011 are set out in note 32 to the financial statements.

DEED OF NON-COMPETITION

On 4 December 2006, (i) Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder), (ii) the then Directors, and (iii) the 98 Owners (as defined in the Prospectus) (not being controlling shareholders) (collectively the "Covenantors"), as covenantors, entered into a deed of non-competition ("Non-competition Deed") in favour of the Company pursuant to which each of the Covenantors has undertaken to the Company (for itself and for the benefits of its subsidiaries) that, among other matters, it shall not, and shall procure that his/her/its associates will not, directly or indirectly be interested or involved or engaged in or acquire or hold any right or interest in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business of the Group. Details of the terms of the Non-competition Deed have been set out in the paragraph headed "Deed of non-competition entered into by the controlling shareholder" under the section headed "Controlling shareholder and substantial shareholders" of the Prospectus.

The Company has received the annual declaration from Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder) in respect of their respective compliance with the terms of the Non-competition Deed.

The Directors have confirmed that they have not engaged in any business which competes or is likely to compete with the business of the Group, and the Directors are not aware that any of the Convenantors or their respective associates has engaged in any business which competes or is likely to compete with the business of the Group.

The independent non-executive Directors have reviewed the annual declaration and are not aware that any of the Convenantors or their respective associates has engaged in any business which competes or is likely to compete with the business of the Group.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 31 December 2011, the interests of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 31 December 2011
Great Trade Limited	Beneficial owner	238,348,000	15.63%
In-Plus Limited	Beneficial owner	135,064,000	8.86%
Perfect Sino Limited	Beneficial owner	111,229,000	7.29%
Hang Youming	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	566,474,000	37.15%
Lu Guangming George	Interests of controlled corporations *(note 2)*	83,187,600	5.46%
E-Star Corporation	Beneficial owner *(note 3)*	106,649,400	6.99%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 3)*	106,649,400	6.99%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 3)*	106,649,400	6.99%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation *(note 3)*	106,649,400	6.99%
Prudential plc	Interests of controlled corporations *(Note 4)*	121,935,100	8.00%

Notes:

1. Mr. Hang Youming held 400,000 shares in his own name as at 31 December 2011. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 31 December 2011, Wise Creative Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC). As at 31 December 2011, Surfmax Investments, LLC held 74,907,600 shares in the Company. Mr. Lu Guangming George also legally owned approximately 45.48% of the issued share capital of Win Wide International Ltd., which held 8,280,000 shares in the Company as at 31 December 2011. For the purpose of Part XV of the SFO, Mr. Lu Guangming George was deemed to be interested in the shares held by Surfmax Investments, LLC and Win Wide International Ltd. respectively.

3. COFCO Corporation (formerly known as COFCO Limited) owned 100% of the issued share capital of COFCO (BVI) Limited, which in turn owned 100% of the issued share capital of COFCO (BVI) No. 88 Limited, which in turn owned 100% of the issued share capital of E-Star Corporation. As at 31 December 2011, E-Star Corporation held 106,649,400 shares in the Company. For the purpose of Part XV of the SFO, COFCO Corporation (formerly known as COFCO Limited), COFCO (BVI) Limited and COFCO (BVI) No. 88 Limited are deemed to be interested in the shares in the Company held by E-Star Corporation

4. For the purpose of Part XV of the SFO, Prudential plc was deemed to be interested in the 121,935,100 shares in the Company held by its controlled corporations as at 31 December 2011.

Save as aforesaid and as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 31 December 2011 which are required to be recorded in the register maintained under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Human Resources Department on the basis of their merit, qualifications and competence and reviewed by the executive Directors.

The ordinary remuneration of the Directors is subject to approval by the board of Directors in general meetings. The Remuneration and Management Development Committee (the "Remuneration Committee") comprising two independent non-executive Directors has been established to make recommendations to the board of Directors on the Group's policy and structure for all remuneration of Directors and senior management of the Group. The Remuneration Committee will consult the chairman of the board of Directors in respect of their recommendations in determining the remuneration of the Directors and senior management of the Group. No individual Director would be involved in deciding his/her own remuneration.

In determining or recommending the remuneration packages of the Directors and senior management, the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. In reviewing and approving performance-based remuneration, reference will be made by the Remuneration Committee to the Group's corporate goals and objectives resolved by the board of Directors from time to time.

The recommended remuneration package comprises salaries, directorship fees, bonuses, discretionary bonuses, benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of office or appointment.

HIGHEST PAID INDIVIDUALS

The relevant information of the five individuals with the highest remuneration in the Group for the year ended 31 December 2011 is disclosed in note 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 40% of the Group's total revenue for the year and the largest customer contributed approximately 10% of the Group's total revenue. The five largest suppliers represented approximately 74% of the Group's total purchases for the year and the largest supplier represented approximately 42% of the Group's total purchases.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient prescribed public float under the Listing Rules.

AUDITOR

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
LIU Jinlan
Chairman

23 March 2012

CORPORATE GOVERNANCE PRACTICES

To promote high level of transparency, accountability and independence in the interests of the shareholders, the Company is committed to maintaining high standards of corporate governance.

The Company has applied the principles in and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011, except for the deviation from code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure that the Board acts in the best interest of the Company. The Company does not have the position of chief executive officer and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining executive Directors, the Executive Committee of the Company which has been established for determining, approving and overseeing the day-to-day control over the allocation of the Group's resources also segregates the duties of Mr. Liu Jinlan.

THE BOARD

The Board is responsible for formulation and execution of the Company's long term strategies and determination of the direction of future development, setting of financial and operational targets, approval of material transactions and significant investment as well as evaluation of the performance of the senior management. The Board has reserved its decision over the major acquisitions and disposals, annual budgets, interim and annual results, recommendations on directors' appointment or re-appointment, approval of major capital investment and other significant operational and financial matters of the Group. The Board has to act in the best interest of the Company and its shareholders as a whole.

During the year ended 31 December 2011, one executive Director, Mr. Cao Junyong, has resigned and one non-executive Director, Mr. Zhou Mingchen, has retired by rotation and has not offered himself for re-election. The Board currently comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of the Directors are set out on pages 13 to 15 of the annual report. Mr. Liu Jinlan, being the chairman of the Board and an executive Director, is the father of Mr. Liu Xiang, an executive Director. Save for the aforesaid, there is no financial, business, family or other material or relevant relationships among the members of the Board.

The executive Directors are responsible for business management of the Group, formulation and implementation of business strategies, daily business decision and co-ordination of overall business operation. Mr. Liu Jinlan and the other three executive Directors, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao, have many years of experience in the radial tire cord manufacturing industry.

The non-executive Director and the independent non-executive Directors, who possess wide expertise, bring relevant experience and knowledge in various aspects to the Board. The Company has received confirmation from each independent non-executive Director about his/her independence as set out in Rule 3.13 of the Listing Rules and considers each of them to be independent. One of the independent non-executive Directors possesses appropriate professional qualifications in accounting or related financial management expertise as required under the Listing Rules.

The Board will meet regularly at least four times a year at approximately quarterly intervals. For the year ended 31 December 2011, the Board held four meetings to discuss and approve various important matters. The table below sets out the attendance of each Director at the meetings of the Board and other Board committees held during the year ended 31 December 2011:

	Board	Audit Committee	Remuneration and Management Development Committee	Nomination Committee	Executive Committee	Manufacturing and Operations Committee	Investment and International Development Committee
Executive Directors							
Mr. LIU Jinlan	4/4	N/A	N/A	1/1	1/1	1/1	1/1
Mr. LIU Xiang	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Mr. TAO Jinxiang	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. CAO Junyong (resigned on 13 April 2011)	1/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. ZHANG Yuxiao	4/4	N/A	N/A	N/A	1/1	N/A	1/1
Non-executive Directors							
Ms. WU Xiaohui	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. ZHOU Mingchen (retired on 27 May 2011)	1/4	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors							
Mr. KOO Fook Sun, Louis	4/4	4/4	5/5	N/A	N/A	N/A	N/A
Mr. William John SHARP	4/4	4/4	5/5	N/A	N/A	N/A	N/A
Ms. XU Chunhua	4/4	1/4	N/A	1/1	N/A	N/A	N/A

Note: Three Board meetings were held after the resignation of Mr. Cao Junyong as a Director on 13 April 2011 and after the retirement of Mr. Zhou Mingchen as a Director on 27 May 2011.

The management of the Company shall submit all relevant materials for the discussion in the meeting in advance. Notice convening the meeting shall be sent to the Directors at least fourteen days before the meeting so that they can make necessary arrangement to attend the meeting either in person or by telephone. Documents and all relevant materials required for the meeting shall be sent to the Directors at least three days in advance, which ensures enough time is given to the Directors to review the documents and get prepared for the meeting.

The matters processed by the Board in the meetings are all recorded and kept pursuant to relevant laws and regulations. All Directors have full access to the minutes and papers of the Board meetings and Board committee meetings and all other relevant information of the Group. Minutes of the Board meetings and Board committee meetings recorded in sufficient detail the matters considered in the meetings and the decisions reached. Draft and final versions of minutes of the meetings of the Board and Board committees are sent to all Directors or committee members for comments and records respectively within a reasonable time after the relevant meeting. The Directors have separate and independent access to the company secretary of the Company at all times for discussion. The Directors are also entitled to receive independent professional advice in performing their Directors' duties at the Company's expenses.

The Company has arranged for appropriate Directors' and officers' liability insurance throughout the year ended 31 December 2011 to indemnify the Directors and officers for their liabilities arising out of corporate activities. The insurance coverage and premium is reviewed on an annual basis.

The non-executive Director has entered into a service agreement with the Company for a term of three years, upon the expiration of which the service agreement shall lapse and expire, and subject to termination at any time by either party giving not less than three months' prior notice in writing to the other party.

Each of the independent non-executive Directors has signed a letter of appointment for a term of three years which is determinable by either party at any time by giving to the other not less than three months' prior written notice. Thereafter, the term shall continue subject to termination by either party by giving to the other not less than three months' prior written notice.

Pursuant to Article 87 of the Articles of Association of the Company, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Ms. Wu Xiaohui, and Mr. William John Sharp will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BOARD COMMITTEES

As part of good corporate governance practice, the Board has established six committees, namely the Audit Committee, the Remuneration and Management Development Committee, the Nomination Committee, the Executive Committee, the Manufacturing and Operations Committee and the Investment and International Development Committee, and two sub-committees under the Manufacturing and Operations Committee, namely the Manufacturing Sub-committee and the Operations Sub-committee, with respective terms of reference and the Board has delegated certain authorities to the committees. To further reinforce independence, the Audit Committee and the Remuneration and Management Development Committee all consist of independent non-executive Directors.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 August 2005. The Audit Committee consists of three independent non-executive Directors, namely Mr. William John Sharp, Mr. Koo Fook Sun, Louis and Ms. Xu Chunhua. The chairman of the Audit Committee is Mr. Koo Fook Sun, Louis.

The major roles and functions of the Audit Committee are as follows:

(a) to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to develop and implement policy on the engagement of an external auditor to supply non-audit services;

(d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and to review significant financial reporting judgements contained in them;

(e) to review the Company's financial controls, internal control and risk management systems;

(f) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(g) to review the financial and accounting policies and practices of the Company and its subsidiaries;

(h) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(i) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

(j) to report to the Board on the matters set out in the terms of reference for the Audit Committee.

The Audit Committee had four meetings during the year ended 31 December 2011. During the meetings held, the Audit Committee had performed the following work:

- reviewing the audited financial statements for the year ended 31 December 2010 and the unaudited financial statements for the six months ended 30 June 2011;
- reviewing and discussing the management letter issued by the external auditor;
- recommending the Board on the remuneration and terms of engagement of the external auditor in respect of the auditing services for the year ended 31 December 2011; and
- recommending the Board to recruit external auditor to review and to suggest measures on improving the Group's internal control system.

On 22 March 2012, the Audit Committee met with the external auditor to discuss the general scope of their audit work and reviewed the financial statements for the year ended 31 December 2011 as well as the management letter issued by the external auditors for the annual audit for the year ended 31 December 2011.

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

The Company established the remuneration committee on 23 August 2005, which was then re-designated as the Remuneration and Management Development Committee (the "Remuneration Committee") on 30 September 2005. The major roles and functions of the Remuneration Committee are to evaluate the performance of all Directors and senior management of the Group and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management, to determine the specific remuneration packages of all executive Directors and senior management, to make recommendations of remuneration for non-executive Directors to the Board, and to monitor the operation of the share award scheme of the Company. The purposes of the share award scheme are to encourage and retain employees to work with the Group and to provide incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the employees directly to the shareholders of the Company through ownership of its shares.

The Remuneration Committee consists of two independent non-executive Directors, namely Mr. William John Sharp and Mr. Koo Fook Sun, Louis. The chairman of the Remuneration Committee is Mr. William John Sharp.

The Remuneration Committee met five times during the year ended 31 December 2011. A summary of work performed by the Remuneration Committee during the year is set out below:

- discussing the findings of a study conducted by an external consultant about the compensation of senior management and directors of comparable Hong Kong listed companies in 2010 in order to ensure the remuneration of the directors and senior management of the Group is close to the market level and to formulate the latest remuneration policy of the Group;
- consultation with the chairman of the Board in respect of its recommendations in determining the remuneration of the executive Directors and senior management of the Group for the year ended 31 December 2011;
- evaluating and making recommendations to the Board on the remuneration of the Directors and senior management of the Group for the year ended 31 December 2011 with reference to the remuneration package of the Board in 2010 and other relevant information;
- approving the granting of share awards to the employees of the Group under the share award scheme of the Company; and
- approving the vesting of share awards to the employees of the Group upon the achievement of key performance indicator.

Subsequent to the year 2011, the Remuneration Committee held another meeting on 22 March 2012. At such meeting, the Remuneration Committee:

- considered the performance of the executive Directors and the Group and the total remuneration and compensation of the executive Directors for the year 2011; and
- resolved that the total remuneration and compensation of the executive Directors paid for the year ended 31 December 2011 was approved, ratified and recommended to the Board; and
- approving the vesting of share awards to the employees of the Group.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 23 August 2005. The major roles and functions of the Nomination Committee are to evaluate the credentials of the candidates for directorship, to make recommendations to the Board regarding candidates to fill vacancies on the Board and to ensure that no Director or any of his associates is involved in approving his/her or any of his/her associates' nomination. The Nomination Committee consists of two Directors, namely Mr. Liu Jinlan, an executive Director and Ms. Xu Chunhua, an independent non-executive Director. The chairman of the Nomination Committee was Mr. Zhou Mingchen until he ceased to be the chairman and a member of the Nomination Committee upon his retirement as a Director on 27 May 2011. Mr. Liu Jinlan was appointed as the chairman of the Nomination Committee on 22 December 2011. On the same day, Ms. Xu Chunhua was appointed as a member of the Nomination Committee. The Nomination Committee had one meeting during the year ended 31 December 2011.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship with reference to the selection guidelines which include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills. The Nomination Committee also considers referrals and engagement of external recruitment professionals when necessary and makes recommendations to the Board for selection and approval. There was no nomination of directors to fill Board vacancies in the year ended 31 December 2011.

EXECUTIVE COMMITTEE

The Company established the Executive Committee on 30 September 2005. The principal functions and responsibilities of the Executive Committee are to determine, approve and oversee the day-to-day control over the allocation of the resources of the Group. The Executive Committee consists of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2011. Mr. Cao Junyong ceased to be a member of the Executive Committee upon his resignation as a Director on 13 April 2011.

MANUFACTURING AND OPERATIONS COMMITTEE

The Company established the Manufacturing and Operations Committee (with the Manufacturing Sub-committee and the Operations Sub-committee) on 30 September 2005. The principal functions and responsibilities of the Manufacturing and Operations Committee and the respective sub-committees are to consider, approve and oversee the Group's day-to-day manufacturing and operations related strategic development and allocations of resources and make recommendations on new initiatives to the Board for approval. The Manufacturing and Operations Committee consists of three Directors, namely Mr. Liu Jinlan, Mr. Liu Xiang and Mr. Tao Jinxiang. The chairman of the Manufacturing and Operations Committee is Mr. Liu Jinlan. The Manufacturing and Operations Committee had one meeting during the year ended 31 December 2011. Mr. Cao Junyong ceased to be a member of the Manufacturing and Operations Committee upon his resignation as a Director on 13 April 2011.

INVESTMENT AND INTERNATIONAL DEVELOPMENT COMMITTEE

The Company established the Investment and International Development Committee on 30 September 2005. The principal functions and responsibilities of the Investment and International Development Committee are to consider, approve and oversee the Group's international market development and investment related initiatives and allocations of resources, and make recommendations on new development initiatives to the Board for approval. The Investment and International Development Committee consists of three Directors, namely Mr. Liu Jinlan, Mr. Zhang Yuxiao and Mr. Tao Jinxiang. Mr. Zhang Yuxiao was appointed as the chairman of the Investment and International Development Committee on 22 December 2011. The Investment and International Development Committee had one meeting during the year ended 31 December 2011.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges the responsibilities of overseeing the preparation of the financial statements for the year ended 31 December 2011, which give a true and fair view of the state of affairs of the Group for that year. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on the on-going concern basis. The statement of the external auditor about their reporting responsibilities is set out in the Independent Auditor's Report on pages 33 and 34 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2011, the Group paid approximately RMB1,365,000 and RMB291,000 to the external auditor in respect of audit services and non-audit services, respectively. The non-audit services provided by the external auditor during the year was performing review on the interim financial statements of the Group.

INTERNAL CONTROL

The Board acknowledges the responsibilities for the Group's systems of internal control, and is committed to the ongoing development of an effective internal control system to safeguard assets against unauthorized use, to ensure the maintenance of proper accounting records for the provision of reliable financial information and to enhance risk management and compliance with applicable legislation and regulations. The Group has adopted a set of internal control procedures and policies to safeguard the Group's assets and to ensure the reliability of financial reporting. The internal control systems are designed to ensure that the financial and operational functions, compliance control, asset management and risks management functions are in place and functioning effectively. In order to monitor the systems effectively, the Group established an internal audit department in January 2007. The internal audit department is responsible for performing regular reviews on the internal control systems of the Group to provide reasonable assurance on the effectiveness, soundness, adequacy and completeness of the Group's internal control systems.

The Board will continue to conduct reviews on the internal control systems either through the Audit Committee or professional firms in the future and will take all necessary measures to safeguard the Group's assets and shareholders' interests.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2011.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished price-sensitive information.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company values its relationship with investors and shareholders and communications with them is a high priority. The Company announces interim and annual results as early as possible to update shareholders of the Group's financial performance in a timely manner. Apart from that, the Company has assigned its chief financial officer and the manager of investment department to be the spokespersons of the Company and be responsible for meeting with financial analysts and institutional investors.

In addition to the annual general meeting which is opened to all shareholders and members of the press, the Company holds analysts briefings and press conferences through various channels to maintain communications between the shareholders and the management of the Company. During the year ended 31 December 2011, the management conducted numerous one-on-one meetings with and company visits for various institutional investors and shareholders to assist them to have a better understanding of the Group as well as the global steel cords industry through publicly disclosed information. Comments and advices from the investors were communicated to the management for providing responses in a timely manner. In order to strengthen the communication and interaction with the investors, the Company will continue to focus on enhancing communications with investors through various means by organizing more non-deal roadshows, company visits and meetings in the future.

In order to promote effective communication with the public including investors and shareholders, the Company also maintains a website to disclose comprehensive information including the company presentations, press releases, announcements, circulars and annual and interim reports. The address of this website is http://www.irasia.com/listco/hk/xingda/index.htm.

Deloitte.
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TO THE SHAREHOLDERS OF XINGDA INTERNATIONAL HOLDINGS LIMITED
興達國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 92, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of the engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	**2011**	2010
		RMB'000	*RMB'000*
Revenue	8	**5,551,400**	5,430,156
Cost of sales		**(4,252,930)**	(3,794,566)
Gross profit		**1,298,470**	1,635,590
Other income	9	**80,347**	74,235
Government grants	10	**63,954**	32,451
Selling and distribution expenses		**(341,047)**	(271,670)
Administrative expenses		**(231,472)**	(240,728)
Other expenses and losses, net	11	**(81,755)**	(76,851)
Finance costs	12	**(95,065)**	(58,762)
Gain on disposal of available-for-sale investments		**–**	186,340
Share of loss of a jointly controlled entity		**(1,876)**	–
Profit before tax		**691,556**	1,280,605
Income tax expense	13	**(128,901)**	(225,152)
Profit for the year	14	**562,655**	1,055,453
Other comprehensive income			
Fair value loss on available-for-sale investments		**–**	(22,895)
Reclassification adjustment upon disposal of available-for-sale investments		**–**	(186,340)
Deferred tax liability on recognition of fair value gain on available-for-sale investments released upon disposal		**–**	31,385
Total other comprehensive expense for the year (net of tax)		**–**	(177,850)
Total comprehensive income for the year		**562,655**	877,603
Profit for the year attributable to:			
Owners of the Company		**418,118**	791,959
Non-controlling interests		**144,537**	263,494
		562,655	1,055,453
Total comprehensive income attributable to:			
Owners of the Company		**418,118**	668,282
Non-controlling interests		**144,537**	209,321
		562,655	877,603
Earnings per share	17		
Basic (RMB fen)		**27.42**	55.49

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,949,266**	3,709,682
Prepaid lease payments	19	**244,651**	247,643
Investment properties	20	**124,000**	122,000
Interest in a jointly controlled entity	21	**242,764**	–
Deferred tax assets	22	**15,889**	14,101
Prepayment		**4,000**	–
Deposits paid for purchase of property, plant and equipment		**45,359**	22,546
		4,625,929	4,115,972
CURRENT ASSETS			
Prepaid lease payments	19	**5,812**	5,632
Inventories	23	**671,540**	449,805
Trade and other receivables	24	**3,466,495**	2,785,357
Pledged bank deposits	25	**108,320**	16,387
Fixed bank deposits	25	**–**	29,500
Bank balances and cash	25	**730,856**	1,117,355
		4,983,023	4,404,036
CURRENT LIABILITIES			
Trade and other payables	26	**1,397,906**	1,001,932
Amount due to a director	27	**48**	48
Amount due to a related company	28	**2,388**	2,328
Tax payable		**58,644**	70,338
Bank borrowings – due within one year	29	**1,850,000**	1,092,259
		3,308,986	2,166,905
NET CURRENT ASSETS		**1,674,037**	2,237,131
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,299,966**	6,353,103

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	**2011**	2010
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	29	**–**	400,000
Government grants	30	**10,000**	23,040
		10,000	423,040
NET ASSETS		**6,289,966**	5,930,063
CAPITAL AND RESERVES			
Share capital	31	**150,999**	150,999
Reserves		**4,698,022**	4,482,656
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**4,849,021**	4,633,655
NON-CONTROLLING INTERESTS		**1,440,945**	1,296,408
TOTAL EQUITY		**6,289,966**	5,930,063

The consolidated financial statements on pages 35 to 92 were approved and authorised for issue by the Board of Directors on 23 March 2012 and are signed on its behalf by:

LIU Jinlan
DIRECTOR

ZHANG Yuxiao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Capital contribution reserve RMB'000 (note b)	Statutory common reserve RMB'000 (note c)	Investment revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Shares held under share award scheme RMB'000	Awards share compensation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010	139,091	1,118,145	283,352	(130,150)	302,443	123,677	2,062	1,620,406	–	–	3,459,026	1,095,287	4,554,313
Profit for the year	–	–	–	–	–	–	–	791,959	–	–	791,959	263,494	1,055,453
Fair value loss on available-for-sale investments	–	–	–	–	–	(15,921)	–	–	–	–	(15,921)	(6,974)	(22,895)
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	–	(129,581)	–	–	–	–	(129,581)	(56,759)	(186,340)
Deferred tax liability on recognition of fair value gain on available-for-sale investments released upon disposal	–	–	–	–	–	21,825	–	–	–	–	21,825	9,560	31,385
Total other comprehensive income for the year	–	–	–	–	–	(123,677)	–	–	–	–	(123,677)	(54,173)	(177,850)
Total comprehensive income for the year	–	–	–	–	–	(123,677)	–	791,959	–	–	668,282	209,321	877,603
Shares issued	11,908	642,996	–	–	–	–	–	–	–	–	654,904	–	654,904
Issue costs of new ordinary shares	–	(16,931)	–	–	–	–	–	–	–	–	(16,931)	–	(16,931)
Appropriations	–	–	–	–	101,684	–	–	(101,684)	–	–	–	–	–
Dividend recognised as distribution (note 16)	–	(122,122)	–	–	–	–	–	–	–	–	(122,122)	–	(122,122)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(8,200)	(8,200)
Purchase of shares for the purpose of share award scheme	–	–	–	–	–	–	–	–	(16,130)	–	(16,130)	–	(16,130)
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	5,188	(5,188)	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	6,626	6,626	–	6,626
At 31 December 2010	150,999	1,622,088	283,352	(130,150)	404,127	–	2,062	2,310,681	(10,942)	1,438	4,633,655	1,296,408	5,930,063
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	418,118	–	–	418,118	144,537	562,655
Appropriations	–	–	–	–	56,770	–	–	(56,770)	–	–	–	–	–
Dividend recognised as distribution (note 16)	–	(194,180)	–	–	–	–	–	–	–	–	(194,180)	–	(194,180)
Purchase of shares for the purpose of share award scheme	–	–	–	–	–	–	–	–	(17,677)	–	(17,677)	–	(17,677)
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	5,335	(5,335)	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	9,105	9,105	–	9,105
At 31 December 2011	**150,999**	**1,427,908**	**283,352**	**(130,150)**	**460,897**	**–**	**2,062**	**2,672,029**	**(23,284)**	**5,208**	**4,849,021**	**1,440,945**	**6,289,966**

Note:

(a) Special reserve represents the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares. It also represents the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("Jiangsu Xingda") at date of acquisition.

(b) Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.

(c) According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), Xingda International (Shanghai) Special Cord Co., Ltd. ("Xingda International (Shanghai)") and Shanghai Xingda Steel Tyre Cord Co., Ltd. ("Shanghai Xingda"), they are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 *RMB'000*	2010 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**691,556**	1,280,605
Adjustments for:		
Depreciation and amortisation	**378,658**	325,108
Interest income	**(6,087)**	(3,031)
Gain on disposal of available-for-sale investments	**–**	(186,340)
Gain on fair value change on investment properties	**(2,000)**	(2,700)
Share of loss of a jointly controlled entity	**1,876**	–
Total loss relating to disposal/write-off of property, plant and equipment	**2,890**	11,833
Net impairment loss recognised on trade and other receivables	**–**	17,070
Written-off of trade receivables	**10,800**	–
Finance costs	**95,065**	58,762
Government grants	**(4,040)**	–
Operating cash flows before movements in working capital	**1,168,718**	1,501,307
Increase in inventories	**(221,735)**	(18,901)
Increase in trade and other receivables	**(691,938)**	(486,592)
Increase in prepayment	**(4,000)**	–
Increase in trade and other payables	**359,097**	205,820
Increase in government grants	**–**	12,540
Increase in amount due to a related company	**60**	1,044
Recognition of equity-settled share-based payment	**9,105**	6,626
Purchase of shares for the purpose of share award scheme	**(17,677)**	(16,130)
Cash generated from operations	**601,630**	1,205,714
Income tax paid	**(142,383)**	(228,591)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**459,247**	977,123
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(694,697)**	(796,532)
Capital injection of investment in a jointly controlled entity	**(244,640)**	–
Placement of pledged bank deposits	**(108,320)**	(16,387)
Deposits paid for purchase of property, plant and equipment	**(45,359)**	(22,546)
Additions of prepaid lease payments	**(3,000)**	(22,132)
Proceeds on disposal of available-for-sale investments	**–**	284,425
Interest received	**6,087**	3,031
Proceeds on disposal of property, plant and equipment	**12,672**	11,819
Withdrawal of pledged bank deposits	**16,387**	–
Compensation received from insurance company	**128,897**	–
NET CASH USED IN INVESTING ACTIVITIES	**(931,973)**	(558,322)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 *RMB'000*	2010 *RMB'000*
FINANCING ACTIVITIES		
New bank loans raised	**2,173,000**	1,442,259
Repayment of bank loans	**(1,815,259)**	(1,785,000)
Dividend paid	**(194,180)**	(122,122)
Interest paid	**(106,834)**	(83,400)
Proceeds from issue of shares	**–**	654,904
Issue costs of new ordinary shares	**–**	(16,931)
Dividends paid to non-controlling interests	**–**	(8,200)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**56,727**	81,510
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(415,999)**	500,311
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,146,855**	646,544
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**730,856**	1,146,855
Represented by:		
Fixed bank deposits	**–**	29,500
Bank balances and cash	**730,856**	1,117,355
	730,856	1,146,855

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of its business is Xinghua City, Jiangsu Province, The People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company and its subsidiaries (the "Group").

The Company is an investment holding company and the Group is engaged in the manufacture and trading of radial tire cords, bead wires and sawing wires.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

NEW AND REVISED STANDARDS AND INTERPRETATIONS APPLIED IN THE CURRENT YEAR

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB").

Amendments to IFRSs	Improvement in IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Int 14	Prepayments of a Minimum Funding Requirement
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised IFRSs in the current year had no material effect on the Group's financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *CONTINUED*

NEW AND REVISED STANDARDS AND INTERPRETATIONS APPLIED IN THE CURRENT YEAR – *CONTINUED*

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 1	Government loans[2]
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IFRS 9 and IFRS 7	Disclosures – Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC – Int 12 *Consolidation – Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an 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 the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *CONTINUED*

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES – *CONTINUED*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in IFRS 10). However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

AMENDMENTS TO HKAS 12 DEFERRED TAX – RECOVERY OF UNDERLYING ASSETS

The amendments to IAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 will impact on deferred tax recognised for investment properties that are measured using the fair value model.

The Directors anticipate that the application of the other new and revised Standards, Amendments and Interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

JOINTLY CONTROLLED ENTITIES

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

JOINTLY CONTROLLED ENTITIES – *CONTINUED*

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which all the following conditions are satisfied:

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings held for use in the production or supply of goods or service, or for administrative purposes other than properties under construction as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are review at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

LEASING

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

LEASING – *CONTINUED*

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss for the period in which they arise.

BORROWING COSTS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

GOVERNMENT GRANTS

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

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

RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

TAXATION

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

TAXATION – *CONTINUED*

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

RESEARCH AND DEVELOPMENT EXPENDITURE – *CONTINUED*

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

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

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

FINANCIAL INSTRUMENTS – *CONTINUED*

Financial assets – CONTINUED

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, fixed bank deposits, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

FINANCIAL INSTRUMENTS – *CONTINUED*

Financial assets – CONTINUED

Impairment of financial assets – *CONTINUED*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities (including bank borrowings, trade and other payables and amounts due to a director/a related company) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

FINANCIAL INSTRUMENTS – *CONTINUED*

Derecognition

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

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

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (awarded shares compensation reserve).

When trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share purchase scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held for share purchase scheme. Accordingly, the related expense of the granted shares vested is reversed from awarded shares compensation reserve. The difference arising from such transfer is debited/credited to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profits or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decreased under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY – *CONTINUED*

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

INCOME TAXES

As at 31 December 2011, a deferred tax asset of RMB17,064,000 (2010: RMB14,776,000) in relation to temporary differences on depreciation of property, plant and equipment and allowances for doubtful debts has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade receivable is RMB1,622,430,000 net of allowance for doubtful debts of RMB35,797,000 (31 December 2010: carrying amount of RMB1,512,199,000, net of allowance for doubtful debts of RMB37,816,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 29 and equity attributable to owners of the Company, comprising share capital and reserves.

The Directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as raising of new borrowings and repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2011	2010
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**3,990,313**	3,705,040
Financial liabilities		
Liabilities at amortised cost	**3,010,572**	2,338,526

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances, fixed bank deposits, pledged bank deposits, trade and other receivables, amounts due to a director/a related company, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 22.2% (2010: 22.2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 13.4% (2010: 12.9%) of costs are denominated in currencies other than the functional currency of the group entity.

Certain trade and other receivables, bank balances, trade and other payables and bank borrowings of the Group are denominated in United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Euro ("EUR"). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *CONTINUED*

Market risk – CONTINUED

(i) Currency risk – *CONTINUED*

Foreign currency sensitivity

The following details the Group's sensitivity to a 3% (2010: 5%) increase and decrease in RMB against the relevant foreign currencies. 3% (2010: 5%) represents management's assessment of the reasonably possible change in exchange rates for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 3% (2010: 5%) change in foreign currency rates.

At the end of the reporting period, if exchange rates of RMB against USD, HKD and EUR had appreciated by 3% (2010: 5%) and all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately RMB18,449,000 (2010: RMB56,351,000).

The Group's sensitivity to foreign currency has decreased during the current year mainly due to decrease in HKD denominated bank balances and USD denominated trade receivables.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 29 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 29 for details of these borrowings) and bank balances (see note 25 for details of these bank balances). It is the Group's policy to keep certain of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate determined by the People's Bank of China arising from the Group's Renminbi denominated borrowings.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *CONTINUED*

Market risk – CONTINUED

(ii) Interest rate risk – *CONTINUED*

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to variable interest rates bank borrowings at the end of the reporting period. Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation during the year ended 31 December 2011.

A 75 basis points (2010: 75 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 75 basis points (2010: 75 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB5,273,000 (2010: decrease/increase by approximately RMB5,138,000).

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team recognised for determination of credit limits, credit approvals and other monitoring procedures to ensure that the follow-up action is taken to recover overdue debts. In this regard, the Directors consider that Group's credit risk is significantly reduced.

The credit risk on liquid funds and concentration of credit risk are limited because the counterparties are various banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 86% (31 December 2010: 89%) of the total trade receivable as at 31 December 2011. The Group does not have other significant concentration of credit risk.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *CONTINUED*

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2011, the Group has available unutilised banking facilities of approximately RMB1,950,000,000 (2010: RMB1,607,741,000).

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

At 31 December 2011

	Weighted average interest rate	Less than 30 days	31 – 60 days	61 – 90 days	91 – 360 days	Over 1 year	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	609,186	97,000	350	451,600	–	1,158,136	1,158,136
Amount due to a director	–	48	–	–	–	–	48	48
Amount due to a related company	–	2,388	–	–	–	–	2,388	2,388
Bank borrowings	5.65	–	–	295,416	1,593,572	–	1,888,988	1,850,000
		611,622	97,000	295,766	2,045,172	–	3,049,560	3,010,572

6. FINANCIAL INSTRUMENTS – *CONTINUED*

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *CONTINUED*

Liquidity risk – CONTINUED

Liquidity risk tables – *CONTINUED*

At 31 December 2010

	Weighted average interest rate %	Less than 30 days *RMB'000*	31 – 60 days *RMB'000*	61 – 90 days *RMB'000*	91 – 360 days *RMB'000*	Over 1 year *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Trade and other payables	–	573,891	119,500	150,500	–	–	843,891	843,891
Amount due to a director	–	48	–	–	–	–	48	48
Amount due to a related company	–	2,328	–	–	–	–	2,328	2,328
Bank borrowings	4.71	150,585	–	202,340	759,907	437,440	1,550,272	1,492,259
		726,852	119,500	352,840	759,907	437,440	2,396,539	2,338,526

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if change in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

C. FAIR VALUE

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. SEGMENT INFORMATION

The Directors, being the chief operating decision maker of the Group, regularly review revenue analysis by types of products which are basically radial tire cords, bead wires and sawing wires, for the purposes of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective types of products. The Directors review the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single operating and reportable segment under IFRS 8 "Operating Segments" and accordingly no separate segment information is prepared. The Group's non-current assets (other than deferred tax assets) are located in the PRC.

7. SEGMENT INFORMATION – *CONTINUED*

REVENUE FROM MAJOR PRODUCTS

The following is an analysis of the Group's revenues from its major products:

	Year ended	
	2011	2010
	RMB'000	*RMB'000*
Radial Tire Cord		
– For Truck	**3,408,996**	3,865,043
– For Passenger Car	**1,509,426**	1,141,567
Bead Wire	**417,934**	423,546
Sawing Wire	**215,044**	–
	5,551,400	5,430,156

GEOGRAPHICAL INFORMATION

Information about the Group's revenue from operations from external customers is presented based on the location of the goods delivered.

	2011	2010
	RMB'000	*RMB'000*
The PRC (country of domicile)	**4,591,110**	4,762,888
Korea	**245,914**	111,246
United States of America	**213,119**	216,304
Germany	**117,539**	96,417
Others	**383,718**	243,301
	5,551,400	5,430,156

"Others" included revenue from various countries which are individually immaterial to the Group's total revenue.

7. SEGMENT INFORMATION – *CONTINUED*

INFORMATION ABOUT MAJOR CUSTOMERS

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	RMB'000	*RMB'000*
Customer 1	**568,733**	689,743
Customer 2	**N/A**[1]	544,768

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group

8. REVENUE

Revenue represents amounts received and receivable for sales of radial tire cords, bead wires and sawing wires in the normal course of business, net of discount.

9. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Sales of scrap materials	**53,362**	53,335
Interest income earned on bank balances and bank deposits	**6,087**	3,031
Cash discounts received on early settlement of trade payables	**5,742**	4,594
Gain on fair value change of investment properties	**2,000**	2,700
Sundry income	**13,156**	10,575
	80,347	74,235

10. GOVERNMENT GRANTS

Government grants represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products during the years ended 31 December 2011 and 2010. For the year ended 31 December 2011, government grants where there were specific conditions attached to the grants, amounting to RMB9,000,000 were (2010: Nil) deducted from the carrying amount of the Group's property, plant and equipment in consolidated statement of financial position and RMB4,040,000 were recognised by the Group (2010: Nil) in the consolidated statement of comprehensive income when it fulfilled all the conditions specified in the grant notice. For the government grants that do not have any specific conditions attached, an amount of RMB59,914,000 (2010: RMB32,451,000) was recognised in the consolidated statement of comprehensive income when the grants were received.

11. OTHER EXPENSES AND LOSSES, NET

	2011	2010
	RMB'000	*RMB'000*
Write-off of property, plant and equipment	**135,373**	–
Recovery from insurance claims	**(128,897)**	–
Proceeds on scrap sales of fire loss	**(6,418)**	–
Loss on disposal of property, plant and equipment	**2,832**	11,833
Total loss relating to disposal/write-off of property, plant and equipment	**2,890**	11,833
Research and development expenditure	**29,530**	26,601
Impairment loss recognised on trade and other receivables	**–**	17,070
Written-off of trade receivables	**10,800**	–
Exchange loss, net	**38,535**	21,347
	81,755	76,851

Exchange loss and loss on disposal of property, plant and equipment for the year ended 31 December 2010 have been reclassified from administrative expenses to other expenses and losses, net, in order to conform with the current year's presentation in the consolidated statement of comprehensive income.

12. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**106,834**	76,275
Less: amounts capitalised in property, plant and equipment	**(11,769)**	(24,638)
	95,065	51,637
Note receivables discounted	**–**	7,125
	95,065	58,762

13. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
Current year	**130,689**	223,921
Overprovision in prior year	**–**	(538)
Deferred taxation (note 22)	**(1,788)**	1,769
	128,901	225,152

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate of 25% for both years on the taxable income of the group entities in the PRC. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate for certain PRC subsidiaries of the Company is 25% from 1 January 2008 onwards except for the subsidiaries described below.

On 11 September 2009, Jiangsu Xingda was accredited as a High-tech Enterprise, a preferential tax rate of 15% was granted by the relevant tax bureaus in Jiangsu province. In accordance with the High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2009, 2010 and 2011. As at 31 December 2011 and up to the date of these consolidated financial statements were authorised for issuance, such certificate is under renewal process and the management is of the opinion that this status may be renewed before the end of year 2012 and this preferential tax rate will continue to be obtained. As a result, the tax rate of 15% is used to calculate the amount of deferred taxation.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's profits neither arises in, nor is derived from, Hong Kong for both years.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards at a tax rate of 10%. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,978 million (2010: RMB1,525 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. INCOME TAX EXPENSE – *CONTINUED*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**691,556**	1,280,605
Tax at the PRC tax rate of 25% (2010: 25%)	**172,889**	320,150
Tax effect of expenses not deductible for tax purposes	**21,877**	15,013
Tax effect of income not taxable for tax purposes	**(9,070)**	(5,144)
Tax effect of preferential tax rate	**(58,340)**	(102,952)
Tax effect of deductible temporary differences not recognised	**16**	237
Overprovision in prior year	**–**	(538)
Others	**1,529**	(1,614)
Tax charge for the year	**128,901**	225,152

14. PROFIT FOR THE YEAR

	2011	2010
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration (note 15)		
Salaries, wages and other benefits	**381,666**	367,877
Retirement benefits scheme contributions (note 35)	**25,810**	10,873
Share-based payments	**9,105**	6,626
Total staff costs	**416,581**	385,376
Amortisation of prepaid lease payments	**5,812**	5,812
Auditor's remuneration	**1,656**	1,813
Cost of inventories recognised as an expense	**4,252,930**	3,794,566
Depreciation for property, plant and equipment	**372,846**	319,296
Gross rental income from investment properties	**(4,320)**	(4,320)
Less: direct operating expenses from investment properties that generated rental income during the year	**269**	562
	(4,051)	(3,758)
Net foreign exchange loss	**38,535**	21,347

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

DIRECTORS

The emoluments paid or payable to the 9 (2010: 12) Directors are as follows:

	2011	2010
	RMB'000	*RMB'000*
Fees	**1,404**	3,394
Salaries and other allowances	**3,144**	5,344
Bonus (note)	**28,342**	31,080
Retirement benefits scheme contributions	**16**	8
Share-based payments	**6,485**	4,206
	39,391	44,032

Note: The bonus is determined based on the performance of the Group.

Details of emoluments of individual directors are set out as follows:

Year ended 31 December 2011

	Fee	**Salary and other allowance**	**Bonus**	**Retirement benefits scheme contributions**	**Share-based payments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Executive Directors						
LIU Jinlan	**–**	**1,140**	**10,148**	**4**	**2,461**	**13,753**
LIU Xiang	**–**	**900**	**6,810**	**4**	**1,230**	**8,944**
TAO Jinxiang	**–**	**900**	**6,800**	**4**	**1,230**	**8,934**
ZHANG Yuxiao	**–**	**204**	**4,584**	**4**	**1,205**	**5,997**
Non-executive Directors						
WU Xiaohui	**319**	**–**	**–**	**–**	**–**	**319**
ZHOU Mingchen (note)	**128**	**–**	**–**	**–**	**–**	**128**
Independent Non-executive Directors						
William John SHARP	**319**	**–**	**–**	**–**	**154**	**473**
KOO Fook Sun, Louis	**319**	**–**	**–**	**–**	**154**	**473**
XU Chunhua	**319**	**–**	**–**	**–**	**51**	**370**
	1,404	**3,144**	**28,342**	**16**	**6,485**	**39,391**

Note: The Director retired from his position on 27 May 2011.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *CONTINUED*

DIRECTORS – *CONTINUED*

Year ended 31 December 2010

	Fee	Salary and other allowance	Bonus	Retirement benefits scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
LIU Jinlan	–	1,640	11,130	2	1,590	14,362
LIU Xiang	–	1,400	7,480	2	795	9,677
TAO Jinxiang	–	1,400	7,470	2	795	9,667
WU Xinghua	–	100	–	–	–	100
CAO Junyong	–	100	–	–	–	100
ZHANG Yuxiao	–	704	5,000	2	762	6,468
Non-executive Directors						
LU Guangming George	1,694	–	–	–	66	1,760
WU Xiaohui	340	–	–	–	–	340
ZHOU Mingchen	340	–	–	–	–	340
Independent Non-executive Directors						
William John SHARP	340	–	–	–	66	406
KOO Fook Sun, Louis	340	–	–	–	66	406
XU Chunhua	340	–	–	–	66	406
	3,394	5,344	31,080	8	4,206	44,032

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *CONTINUED*

EMPLOYEES

Of the five individuals with the highest emoluments in the Group, there were four (2010: four) Directors whose emoluments are included in the disclosures above. The emoluments of the remaining one (2010: one) individual was as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries and other allowances	**359**	299
Bonus	**5,000**	5,000
Retirement benefit scheme contributions	**4**	2
Share based payments	**1,230**	795
	6,593	6,096

None of the Directors waived any emoluments for both years.

16. DIVIDEND

	2011	2010
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Final dividend paid for financial year ended 31 December 2010 – 15.00 HK cents per share (2010: final dividend paid for financial year ended 31 December 2009 – 10.0 HK cents per share)	**194,180**	122,122
Final dividend proposed, 20.0 HK cents (financial year ended 31 December 2010: 15.0 HK cents) per share	**247,227**	194,180

A final dividend for the year ended 31 December 2011 of 20.0 HK cents (2010: 15.0 HK cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividend proposed for the year ended 31 December 2011 and the dividend paid for financial year ended 31 December 2010 will be or were paid out of share premium. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum of Association and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

17. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the year attributable to owners of the Company for the purpose of basic earnings per share	**418,118**	791,959
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,524,777**	1,427,187

During the year ended 31 December 2010, the weighted average number of ordinary shares for the purpose of basic earnings per share had been adjusted for the new ordinary shares issued on 15 September 2010.

There was no potential ordinary shares during the years ended 31 December 2011 and 2010.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2010	905,963	3,203	2,718,891	28,070	32,179	628,177	4,316,483
Additions	184	–	76,191	5,985	6,420	776,194	864,974
Reclassifications	132,389	–	645,006	5,992	266	(783,653)	–
Disposals	(121)	–	(61,623)	(196)	(869)	–	(62,809)
At 31 December 2010	1,038,415	3,203	3,378,465	39,851	37,996	620,718	5,118,648
Additions	158	–	125,658	7,834	4,377	618,862	756,889
Reclassifications	9,580	–	362,709	239	–	(372,528)	–
Disposals	–	–	(24,752)	(1,086)	(298)	–	(26,136)
Write-off	(13,458)	–	(179,411)	–	–	–	(192,869)
At 31 December 2011	**1,034,695**	**3,203**	**3,662,669**	**46,838**	**42,075**	**867,052**	**5,656,532**
DEPRECIATION							
At 1 January 2010	164,898	135	929,196	13,365	21,233	–	1,128,827
Provided for the year	44,430	102	264,889	5,583	4,292	–	319,296
Eliminated on disposals	(68)	–	(38,429)	(107)	(553)	–	(39,157)
At 31 December 2010	209,260	237	1,155,656	18,841	24,972	–	1,408,966
Provided for the year	50,834	102	311,094	6,702	4,114	–	372,846
Eliminated on disposals	–	–	(15,890)	(1,062)	(98)	–	(17,050)
Eliminated on write-off	(2,087)	–	(55,409)	–	–	–	(57,496)
At 31 December 2011	**258,007**	**339**	**1,395,451**	**24,481**	**28,988**	**–**	**1,707,266**
CARRYING VALUES							
At 31 December 2011	**776,688**	**2,864**	**2,267,218**	**22,357**	**13,087**	**867,052**	**3,949,266**
At 31 December 2010	829,155	2,966	2,222,809	21,010	13,024	620,718	3,709,682

Construction in progress as at 31 December 2011 represents factories and plant, machinery and equipment constructed for the Group's own use.

18. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

The above items of property, plant and equipment other than construction in progress are depreciated over their estimated useful lives and after taking into account of their estimated residual value, on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of lease term of land and 20 to 30 years
Leasehold improvement	Over the shorter of term of the lease and 30 years
Plant, machinery and equipment	2 to 10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The buildings are situated on land in the PRC with lease terms ranging from 40-70 years.

Property, plant and equipment of approximately RMB135,373,000 (2010: Nil) was written-off in respect of damages which arose from a fire which broke out in one of the Group's factory during the year ended 31 December 2011. The amount of write-off is estimated based on the carrying amount of items of property, plant and equipment to be replaced or restored as a result of the damages. The management has submitted the claim to the insurance company and RMB128,897,000 has been received by the Group as compensation for the impairment loss in the current year.

19. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2010	236,955
Additions	22,132
Charge to profit or loss	(5,812)
At 31 December 2010	253,275
Additions	3,000
Charge to profit or loss	(5,812)
At 31 December 2011	**250,463**

19. PREPAID LEASE PAYMENTS – *CONTINUED*

	2011	2010
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current assets	**244,651**	247,643
Current assets	**5,812**	5,632
	250,463	253,275

	2011	2010
	RMB'000	*RMB'000*
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long lease	**11,820**	12,011
Medium-term lease	**238,643**	241,264
	250,463	253,275

Prepaid lease payments are located in the PRC are amortised on a straight-line basis over the lease terms from 40 to 70 years as stated in the land use rights certificates.

20. INVESTMENT PROPERTIES

	Completed investment properties
	RMB'000
FAIR VALUE	
At 1 January 2010	119,300
Increase in fair value recognised in profit or loss	2,700
At 31 December 2010	122,000
Increase in fair value recognised in profit or loss	2,000
At 31 December 2011	**124,000**

20. INVESTMENT PROPERTIES – *CONTINUED*

Investment properties represent the office premises located in Shanghai, the PRC, under medium-term lease.

The fair values of the Group's investment property at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that day by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of transactions prices for similar properties in the same locations and conditions.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2011	2010
	RMB'000	*RMB'000*
Cost of unlisted investment	**244,640**	–
Share of post-acquisition loss	**(1,876)**	–
	242,764	–

As at 31 December 2011, the Group had interests in a jointly controlled entity incorporated and operated in the PRC as follows:

Name of entity	**Country of registration**	**Principal place of operation**	**Proportion of nominal value of registered capital held by the Group**	**Proportion of voting power held**	**Principal activity**
Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") 山東興達鋼簾線有限公司	PRC	PRC	51% (Note)	51% (Note)	Manufacture and distribution of radial tire cords and bead wires

Note: Pursuant to the shareholders' agreement entered into between the Group and the other two shareholders of Shandong Xingda, Faith Maple, a subsidiary of the Company holding Shandong Xingda, is entitled to nominate 3 out of 5 directors to the Board of Shandong Xingda. However, the agreement also stipulates that annual budgets and agreement entered into with any parties as well as their related parties of the shareholders with an amount equal to or more than RMB5,000,000 shall be approved by all Directors. Accordingly, Shandong Xingda is classified as a jointly controlled entity of the Group.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY – *CONTINUED*

The summarised financial information in respect of the Group's interest in the jointly controlled entity which is accounted for using the equity method is set out below:

	2011	2010
	RMB'000	*RMB'000*
Current assets	**238,763**	–
Non-current assets	**5,303**	–
Current liabilities	**1,302**	–
Non-current liabilities	**–**	–
Income recognised in profit or loss	**114**	–
Expenses recognised in profit or loss	**(1,990)**	–
Other comprehensive income or expense	**–**	–

22. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011	2010
	RMB'000	*RMB'000*
Deferred tax assets	**17,064**	14,776
Deferred tax liabilities	**(1,175)**	(675)
	15,889	14,101

22. DEFERRED TAXATION – *CONTINUED*

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior periods:

	Fair value gain on available-for-sale investments	Excess of accounting depreciation over tax depreciation	Allowance for doubtful debts	Fair value gain on investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	31,385	(6,921)	(8,949)	–	15,515
(Credit) Charge to profit or loss	–	(2,182)	3,276	675	1,769
Credit to equity for the year	(31,385)	–	–	–	(31,385)
At 31 December 2010	–	(9,103)	(5,673)	675	(14,101)
(Credit) Charge to profit or loss	–	(2,591)	303	500	(1,788)
At 31 December 2011	**–**	**(11,694)**	**(5,370)**	**1,175**	**(15,889)**

At the end of the reporting period, the Group has deductible temporary difference of approximately RMB116,004,000 (2010: RMB100,666,000) in relation to the excess of accounting depreciation over tax depreciation and allowance for doubtful debts available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately RMB113,778,000 (2010: RMB98,506,000) of such deductible temporary difference. At the end of the reporting period, the Group has deductible temporary differences of RMB2,226,000 (2010: RMB2,160,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probably that taxable profit will be available against which the deductible temporary differences can be utilised.

23. INVENTORIES

	2011	2010
	RMB'000	*RMB'000*
Raw materials	**408,571**	291,204
Work in progress	**64,490**	57,599
Finished goods	**198,479**	101,002
	671,540	449,805

24. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,337,084**	1,253,459
91 – 180 days	**188,887**	194,005
181 – 360 days	**71,514**	49,451
Over 360 days	**24,945**	15,284
	1,622,430	1,512,199
Note receivables		
0 – 90 days	**699,357**	433,382
91 – 180 days	**593,191**	377,121
181 – 360 days	**236,276**	210,297
	1,528,824	1,020,800
Advances to raw material suppliers	**267,586**	224,441
Spools	**21,731**	19,117
Other receivables and prepayments	**26,044**	8,920
Less: Allowance for doubtful debts on other receivables	**(120)**	(120)
	315,241	252,358
	3,466,495	2,785,357

24. TRADE AND OTHER RECEIVABLES – *CONTINUED*

The Group's trade and other receivables that are denominated in currencies other than the functional currency of the group entities are set out below:

	2011	**Equivalent to RMB**	2010	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
USD	**37,479**	**236,118**	42,948	284,432
EUR	**6,857**	**55,953**	5,018	44,191

Before accepting any new customer, the Group will assess the credit quality of each potential customer and defined credit rating and limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of the Directors, receivables not past due at year end have good credit quality.

Movements in the allowance for doubtful debts on trade and other receivables are as follows:

	2011	2010
	RMB'000	*RMB'000*
Balance at 1 January	**37,936**	59,290
Impairment loss recognised on receivables	**–**	17,070
Amounts written off as uncollectible	**(2,000)**	(38,424)
Exchange realignment	**(19)**	–
Balance at 31 December	**35,917**	37,936

The Group reviews all trade receivables overdue more than 1 year for allowance for doubtful debt, amounting to approximately RMB60,742,000 as at 31 December 2011 (2010: RMB53,100,000) before provision of allowance for doubtful debts of RMB35,797,000 (2010: RMB37,816,000) because historical experience showed that receivables that are past due beyond 1 year generally have recoverability problems. The Group will review the recoverability of long aged receivables on a case by case basis. Trade receivables are provided for based on estimated irrecoverable amounts of discounted cash flow, determined by reference to past default experience. Other receivables are provided for based on estimated irrecoverable amount of discounted cash flow.

24. TRADE AND OTHER RECEIVABLES – *CONTINUED*

In order to minimise the credit risk, management continuously monitor the level of exposure to ensure that follow-up action and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances. During the year, more notes were used to settle the accounts receivables. Credit risk on notes receivables is limited because the notes were guaranteed by reputable banks in the PRC. Accordingly, the Directors believe that adequate allowance for doubtful debts has been made during the year.

At 31 December 2011, the carrying amount of the short-term trade receivables and notes receivable, which have been pledged as security for the bank borrowings, are RMB50,719,000 and RMB250,000,000 respectively (2010: Nil). The carrying amounts of the associated bank borrowings are RMB40,000,000 and RMB200,000,000 respectively.

Included in the Group's trade receivables are debtors with a carrying amount of RMB96,459,000 at 31 December 2011 (2010: RMB64,735,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 345 days (2010: 335 days) at 31 December 2011. No other receivables are past due as at the reporting date.

Aging of trade receivables which are past due but not impaired:

	2011	2010
	RMB'000	*RMB'000*
181-360 days	**71,514**	49,451
Over 360 days	**24,945**	15,284
	96,459	64,735

Out of the balance of RMB96,459,000 (2010: RMB64,735,000) which are past due but not impaired as at 31 December 2011, an amount of approximately RMB14,249,000 (2010: RMB13,550,000) was settled by the trade debtors subsequent to the end of the reporting period and up to the date these consolidated financial statements were authorised for issue.

25. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group. Fixed bank deposit represented short-term bank deposits, with an original maturity of three months or less. The bank balances and fixed bank deposits carry interest rates ranging from 0.01% to 3.30% (2010: 0.001% to 1.150%) per annum.

Pledged deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB108,320,000 (2010: Nil) had been pledged to a bank to secure notes payables of the Group and are therefore classified as current assets. As at 31 December 2010, RMB16,387,000 (2011: Nil) had been pledged to a bank to secure short-term bank borrowings.

25. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS/BANK BALANCES AND CASH – *CONTINUED*

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2011	**Equivalent to RMB**	2010	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
HKD	**205,967**	**166,382**	765,920	650,315
USD	**21,110**	**133,014**	21,912	145,118
EUR	**3,526**	**28,778**	3,150	27,738

26. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**233,020**	227,218
91 – 180 days	**134,641**	84,898
181 – 360 days	**20,114**	2,783
Over 360 days	**2,259**	4,368
	390,034	319,267
Note payables		
0 – 90 days	**98,560**	119,500
91 – 180 days	**451,600**	150,500
	550,160	270,000
Value-added tax payables and other tax payables	**27,185**	22,761
Accrued staff costs and pension	**165,964**	182,723
Payables for purchase of property, plant and equipment	**190,757**	153,880
Accrued interest expense	**5,031**	2,151
Accrued electricity charges	**48,583**	42,517
Others	**20,192**	8,633
	457,712	412,665
	1,397,906	1,001,932

26. TRADE AND OTHER PAYABLES – *CONTINUED*

The Group's trade payables that are denominated in currencies other than the functional currency of the group entities are set out below:

	2011	**Equivalent to RMB**	2010	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
USD	**550**	**3,464**	731	4,841

The average credit period on purchase of goods is 90 days.

27. AMOUNT DUE TO A DIRECTOR

Advance from a director Mr. Zhang Yuxiao is non-trading in nature. It is unsecured, non-interest bearing and repayable on demand.

28. AMOUNT DUE TO A RELATED COMPANY

The amount represents hotel and catering service fee payable to Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. 興化市興達繡園酒店有限公司 ("Xingda Xiu Yuan"), which is trading in nature. It is unsecured, non-interest bearing and repayable on demand. Relationship of Xingda Xiu Yuan with the Group is set out in note 36.

29. BANK BORROWINGS

	2011	2010
	RMB'000	*RMB'000*
Bank loans	**1,850,000**	1,492,259
Secured	**240,000**	16,259
Unsecured	**1,610,000**	1,476,000
	1,850,000	1,492,259
Carrying amount repayable:		
Within one year	**1,850,000**	1,092,259
More than one year, but not exceeding two years	**–**	400,000
	1,850,000	1,492,259
Less: Amounts due within one year shown under current liabilities	**(1,850,000)**	(1,092,259)
	–	400,000
Bank borrowings comprise:		
Fixed-rate borrowings	**1,147,000**	681,000
Variable-rate borrowings	**703,000**	811,259
	1,850,000	1,492,259

The Group has variable-rate borrowings which carry interest at rates determined by People's Bank of China.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2011	2010
Effective interest rates:		
Fixed-rate borrowings	**5.45% to 6.31%**	4.37% to 4.85%
Variable-rate borrowings	**5.19% to 6.56%**	4.37% to 4.86%

29. BANK BORROWINGS – *CONTINUED*

The Group's bank borrowings that were denominated in currencies other than the functional currency of the respective group entities are set out below:

	2010	Equivalent to RMB
	'000	*'000*
USD	2,455	16,259

During the year, the Group obtained new loans amounting to approximately RMB 2,173,000,000 (2010: RMB1,442,259,000). The loans bear interest at market rates. The proceeds were used to finance daily working capital.

As at 31 December 2011, bank borrowings of RMB 240,000,000 were secured by the Group's short-term trade receivables and notes receivable while bank borrowings of RMB16,259,000 were secured by the Group's bank deposits as at 31 December 2010.

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2011	2010
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year	**1,765,000**	1,474,000
Fixed rate		
– expiring within one year	**185,000**	134,000
	1,950,000	1,608,000

30. GOVERNMENT GRANTS

	RMB'000
At 1 January 2010	10,500
Additions for the year	12,540
At 31 December 2010	23,040
Transferred to and deducted from property, plant and equipment	(9,000)
Recognised in other income for the year	(4,040)
At 31 December 2011	**10,000**

Analysed as:

	2011	2010
	RMB'000	*RMB'000*
Current liabilities	**–**	–
Non-current liabilities	**10,000**	23,040
	10,000	23,040

The amounts represent government grants received to be used mainly for a technological advancement project which is expected to be completed in 2013. They are recorded as liabilities until the Group completes the project which will be subject to approval by the Technology Bureau of Taizhou, the PRC.

31. SHARE CAPITAL

	Number of shares	Amount HKD	Equivalent to RMB'000
Authorised:			
Ordinary shares of HKD0.10 each at 1 January 2010, 31 December 2010 and 31 December 2011	3,000,000,000	300,000,000	301,410
Issued and fully paid:			
At 1 January 2010	1,386,176,693	138,617,669	139,091
New ordinary shares issued	138,600,000	13,860,000	11,908
At 31 December 2010, 1 January 2011 and 31 December 2011	**1,524,776,693**	**152,477,669**	**150,999**

Pursuant to a subscription agreement on 2 September 2010, five substantial shareholders of the Company subscribed for 138,600,000 new shares of HK$0.10 each in the Company at a price of HK$5.50 per share, representing a discount of approximately 7.56% to the closing market price of the Company's shares on 1 September 2010. The total proceeds of RMB654,904,000 were expected to be used to enhance the production facilities of the Group and finance the development of new products of the Group and general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 20 May 2010 and rank pari passu with other shares in issue in all respects.

32. SHARE-AWARD SCHEME

The Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 4 September 2009 for the primary purpose of providing incentives to the participants of the Scheme (the "Participants") including the Directors and certain employees of the Group, to achieve performance goals which in turn achieve the objectives of increasing the value of the Group and align the interests of Directors and eligible employees directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the Participants in accordance to the rules of the Scheme.

32. SHARE-AWARD SCHEME – *CONTINUED*

A total of 5,000,000 (2010: 5,000,000) shares have been purchased from the open market pursuant to the Share Award Scheme during the year ended 31 December 2011. Shares were granted to 22 (2010: 21) selected employees during the year ended 31 December 2011 subject to the terms of the Share Award Scheme. 1,649,999 (2010: 1,666,668) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:

			Number of awarded shares					
Categories of awardees	**Date of grant** (Note 1)	**Fair value per share** (Note 2)	**Balance as at 1 January 2011**	**Awarded during the year**	**Vested during the year**	**Lapsed during the year**	**Balance as at 31 December 2011**	**Vesting period**
Directors of the Group	5 September 2011	4.220	–	1,033,334	–	–	1,033,334	5 September 2011 to 31 March 2013
Directors of the Group	5 September 2011	4.220	–	1,033,333	–	–	1,033,333	5 September 2011 to 31 March 2014
Directors of the Group	5 September 2011	4.220	–	1,033,333	–	–	1,033,333	5 September 2011 to 31 March 2015
Directors of the Group	17 August 2010	5.120	1,058,333	–	(1,041,666)	(16,667)	–	17 August 2010 to 30 November 2011[1]
Directors of the Group	17 August 2010	5.120	1,058,333	–	–	(16,667)	1,041,666	17 August 2010 to 16 August 2013
Employees	5 September 2011	4.220	–	633,334	–	–	633,334	5 September 2011 to 31 March 2013
Employees	5 September 2011	4.220	–	633,333	–	–	633,333	5 September 2011 to 31 March 2014
Employees	5 September 2011	4.220	–	633,333	–	–	633,333	5 September 2011 to 31 March 2015
Employees	17 August 2010	4.883	608,333	–	(608,333)	–	–	17 August 2010 to 30 November 2011[1]
Employees	17 August 2010	4.831	608,333	–	–	–	608,333	17 August 2010 to 16 August 2013
			3,333,332	**5,000,000**	**(1,649,999)**	**(33,334)**	**6,649,999**	

32. SHARE-AWARD SCHEME – *CONTINUED*

			Number of awarded shares					
Categories of awardees	Date of grant (Note 1)	Fair value per share (Note 2)	Balance as at 1 January 2010	Awarded during the year	Vested during the year	Lapsed during the year	Balance as at 31 December 2010	Vesting period
Directors of the Group	17 August 2010	5.120	–	1,058,334	(1,058,334)	–	–	17 August 2010 to 19 November 2010
Directors of the Group	17 August 2010	5.120	–	1,058,333	–	–	1,058,333	17 August 2010 to 16 August 2012[1]
Directors of the Group	17 August 2010	5.120	–	1,058,333	–	–	1,058,333	17 August 2010 to 16 August 2013
Employees	17 August 2010	5.072	–	608,334	(608,334)	–	–	17 August 2010 to 19 November 2010
Employees	17 August 2010	4.883	–	608,333	–	–	608,333	17 August 2010 to 16 August 2012[1]
Employees	17 August 2010	4.831	–	608,333	–	–	608,333	17 August 2010 to 16 August 2013
			–	5,000,000	(1,666,668)	–	3,333,332	

[1] The vesting period was amended from 16 August 2012 to 30 November 2011 with proper approval from the Board of Directors.

Notes:

1. The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Award Scheme.

2. The fair value of the awarded shares are based on the fair value at grant date.

The awarded shares would be vested by approximately 1,666,666 shares annually over a period of 3 years.

The Group recognised the total expenses of approximately RMB9,105,000 for the year ended 31 December 2011 (2010: RMB6,626,000) in relation to shares granted under the Share Award Scheme by the Company.

32. SHARE-AWARD SCHEME – *CONTINUED*

These fair value were calculated using the Binomial model. The inputs into the model were as follows:

	2011	2010
Share price at grant date	**HK$4.22**	HK$5.12
Expected volatility	**51% – 59%**	50% – 62%
Risk-free rate	**0.163% – 0.378%**	0.210% – 0.471%

Expected volatility was determined by using the historical volatility of the Company's share price with similar duration in the life of the awarded shares.

The participants of the Share Award Scheme, other than the directors of the group entities, are not allowed to trade the shares granted to them by the Company in the event that the total number of shares granted multiplied by the closing market price of the Company per share for the last trading day of the Stock Exchange is less than 20% of the total amount of remuneration payable to such participant in the year of grant ("Threshold").

Such participants shall be allowed to trade in the granted shares after such shares are vested in him on the relevant vesting date when the product of (i) the total number of shares granted or to be granted in respect of such year to such participants multiplied by (ii) the market price per share is equal to or more than the Threshold, or until such other time as determined by the Remuneration Committee and approved by the Directors from time to time.

33. OPERATING LEASES

The Group as lessee	**2011**	2010
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases for premises during the year	**700**	700

At 31 December 2011 and 2010, the Group had no commitments under non-cancellable operating leases.

Leases were negotiated and rentals were fixed for terms from one to three years.

33. OPERATING LEASES – *CONTINUED*

THE GROUP AS LESSOR

Property rental income earned during the year was RMB4,320,000 (2010: RMB4,320,000). The properties are expected to generate rental yields of 3.5% (2010: 3.6%) on an on going basis. All of the properties held have committed tenants for the next two years.

At 31 December 2011, the Group had contracted with tenants for the following future minimum lease payments:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**4,769**	4,320
In the second to fifth year inclusive	**5,039**	8,883
	9,808	13,203

34. CAPITAL COMMITMENTS

	2011	2010
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**61,411**	53,384

35. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group's full-time employees are covered by a government-sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 21% (2010: 22%) of the employees' salaries subject to the minimum requirement in the Xinghua Municipality, which are charged to operations as expenses when the contributions are due.

The Group's contribution to the retirement benefit scheme that is charged to profit or loss is approximately RMB25,810,000 (2010: RMB10,873,000) for the year ended 31 December 2011.

36. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and related parties are disclosed below:

Name of related party	Nature of transaction	Note	2011 RMB'000	2010 RMB'000
Xingda Xiu Yuan	Income from the provision of electricity	(a)	**339**	365
	Provision of hotel and catering services		**3,552**	4,178

Note:

(a) Xingda Xiu Yuan is a limited company whose legal representative is a close family member of the chairman of the Group.

Details of the balances with related parties are set out in the consolidated statement of financial position on page 36 and notes 27 and 28 to the consolidated financial statements.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2011 RMB'000	2010 RMB'000
Short-term benefits	**57,053**	63,979
Post-employment benefits	**27**	17
Share based payments	**8,383**	5,433
	65,463	69,429

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

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2011 and 2010 are disclosed as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid up share capital/ registered capital	Attributable to equity interest held by the Group	Principal activities
Faith Maple International Ltd.	The British Virgin Islands	USD14,083	100%	Investment holding
Jiangsu Xingda Steel Tyre Cord Co., Ltd. 江蘇興達鋼簾線股份有限公司 (note a)	PRC	RMB134,600,000	69.54%	Manufacture and distribution of radial tire cords, bead wires and sawing wires
Shanghai Xingda Steel Tyre Cord Co., Ltd. 上海興達鋼簾線有限公司 (note b)	PRC	RMB2,000,000	70.23%	Trading of radial tire cords and bead wires
Xingda International (Shanghai) Special Cord Co., Ltd. 興達國際(上海)特種簾線有限公司 (note c)	PRC	USD12,000,000	100%	Investment holding
Jiangsu Xingda Special Cord Co., Ltd. 江蘇興達特種金屬複合線有限公司 (note a)	PRC	USD60,000,000	96.95%	Manufacture of radial tire cords and bead wires

Notes: For those subsidiaries established in the PRC, their classification of establishment is as follows:

(a) sino-foreign equity joint venture

(b) domestic invested company

(c) wholly foreign owned enterprise

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011	2010
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**333,729**	285,670
Amount due from a subsidiary	**807,139**	645,053
	1,140,868	930,723
CURRENT ASSETS		
Other receivables	**94**	204
Bank balances and cash	**166,266**	650,193
	166,360	650,397
CURRENT LIABILITIES		
Other payables	**3,194**	7,969
NET CURRENT ASSETS	**163,166**	642,428
NET ASSETS	**1,304,034**	1,573,151
CAPITAL AND RESERVES		
Share capital (note 31)	**150,999**	150,999
Reserves	**1,153,035**	1,422,152
TOTAL EQUITY	**1,304,034**	1,573,151

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	2,778,061	3,488,518	3,864,409	5,430,156	**5,551,400**
Cost of sales	(2,076,112)	(2,567,757)	(2,682,026)	(3,794,566)	**(4,252,930)**
Gross profit	701,949	920,761	1,182,383	1,635,590	**1,298,470**
Other income	102,628	68,920	95,771	74,235	**80,347**
Government grants	11,282	65,840	53,102	32,451	**63,954**
Selling and distribution expenses	(102,128)	(139,488)	(178,575)	(271,670)	**(341,047)**
Administrative expenses	(162,247)	(173,990)	(179,581)	(240,728)	**(231,472)**
Other expenses and losses, net	(25,242)	(38,185)	(52,102)	(76,851)	**(81,755)**
Finance costs	(89,743)	(103,808)	(54,176)	(58,762)	**(95,065)**
Gain on disposal of available-for-sale investments	–	–	1,942	186,340	**–**
Share of loss of a jointly controlled entity	–	–	–	–	**(1,876)**
Gain (loss) on fair value adjustment on the convertible bonds	76,915	24,903	(1,033)	–	**–**
Gain on deregistration of a subsidiary	–	3,398	–	–	**–**
Profit before tax	513,414	628,351	867,731	1,280,605	**691,556**
Income tax expense	(64,593)	(85,953)	(142,588)	(225,152)	**(128,901)**
Profit for the year	448,821	542,398	725,143	1,055,453	**562,655**
Profit attributable to:					
Owners of the Company	345,412	418,219	547,504	791,959	**418,118**
Non-controlling interests	103,409	124,179	177,639	263,494	**144,537**
	448,821	542,398	725,143	1,055,453	**562,655**
Dividend attributable to:					
Owners of the Company	50,305	74,043	97,754	122,122	**194,180**
Earnings per share					
Basic (RMB fen)	25.97	30.17	39.50	55.49	**27.42**
Diluted (RMB fen)	16.05	25.39	39.36	55.49	**27.42**

Financial Summary

	As at 31 December				
	2007	2008	2009	2010	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	5,304,113	5,438,419	7,369,756	8,520,008	**9,608,952**
Total liabilities	(2,015,152)	(1,681,145)	(2,815,443)	(2,589,945)	**(3,318,986)**
	3,288,961	3,757,274	4,554,313	5,930,063	**6,289,966**
Equity attributable to owners of the Company	2,541,423	2,885,599	3,459,026	4,633,655	**4,849,021**
Non-controlling interests	747,538	871,675	1,095,287	1,296,408	**1,440,945**
	3,288,961	3,757,274	4,554,313	5,930,063	**6,289,966**