2014
ANNUAL REPORT

XINGDA
兴 达

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)

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

NOMINATION COMMITTEE

Mr. LIU Jinlan *(Chairman)*
Mr. KOO Fook Sun, Louis
Ms. XU Chunhua

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons

AUDITORS

Deloitte Touche Tohmatsu

INVESTOR RELATIONS

Strategic Financial Relations (China) Limited
Unit A, 29th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

REGISTERED OFFICE

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Hutchins Drive, P.O. Box 2681
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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

Suite 1219, 12/F., 100 QRC,
100 Queen's Road Central,
Central,
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Hang Seng Bank Limited
The Hong Kong and Shanghai Banking Corporation 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

	2014	2013	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**5,594.9**	5,585.2	+0.2%
Gross profit	**1,272.9**	1,385.4	-8.1%
EBITDA [(1)]	**1,066.2**	1,233.2	-13.5%
Profit for the year	**462.9**	575.9	-19.6%
Profit attributable to owners of the Company	**327.8**	414.8	-21.0%
Earnings per share – basic (RMB fen)	**21.51**	27.20	-20.9%

	2014	2013	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**10,125.7**	9,788.0	+3.5%
Total liabilities	**3,161.0**	3,089.9	+2.3%
Net assets	**6,964.7**	6,698.1	+4.0%
Equity attributable to owners of the Company	**5,180.7**	5,025.5	+3.1%

	2014	2013
KEY RATIOS		
Gross profit margin [(2)]	**22.8%**	24.8%
EBITDA margin [(3)]	**19.1%**	22.1%
Return on equity [(4)]	**6.3%**	8.3%
Current ratio [(5)]	**1.80**	1.77
Gearing ratio [(6)]	**8.1%**	10.4%
Net debts to equity ratio [(7)]	**5.5%**	12.0%

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 bank balances and cash 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 2014.

For the year under review, the Group's revenue increased by 0.2% from RMB5,585 million last year to RMB5,595 million. Gross profit declined 8.1% to RMB1,273 million with gross profit margin down by 2.0 percentage points to 22.8%. Profit attributable to owners of the Company decreased by 21.0% compared to the previous year to RMB328 million. Basic earnings per share were RMB21.51 fen, a year-on-year decrease of 20.9%.

The Board of Directors has proposed a final dividend of 13 HK cents or approximately RMB10.3 fen per share for the year ended 31 December 2014 (2013: 16.0 HK cents or approximately RMB12.6 fen per share).

In 2014, as a result of weaker productivity, China's economy has begun a transition from rapid expansion to medium-high growth rate. Features of a new economic model have gradually emerged, which marks the beginning of a more stable stage of development. During the year under review, the general slump of the property market has not hindered the development of major infrastructure projects in China. The take-up of online shopping has substantially increased which has in turn benefited the logistics industry. These trends have combined to maintain a stable growth in domestic demand for radial tire cord. As for overseas markets, the Group has adjusted its global sales strategy in response to the varying economic performances in Europe, the US and Asia, with the aim to achieve a steady development there.

Since the second quarter of 2014, competition in the radial tire cord industry has intensified. Facing such a complicated and changing market, the management has proactively adjusted sales prices based on their penetrating insight gained through the years after closely monitoring the situation. Through a combination of strict cost controls and enhanced operating efficiency measures, we have mitigated the adverse effects of stronger industry competition.

During the year under review, Xingda managed to achieve healthy organic growth, despite formidable external challenges. We have maintained a healthy cash flow and a solid financial position through implementing prudent operational strategies, which have prepared us to maximize future opportunities as they arise as well as to protect the interests of our shareholders.

At the annual general meeting ("AGM") held in May 2014, the shareholders of the Company granted a general mandate to the Directors to repurchase the Company's own shares not exceeding 10% of the issued share capital as at the date of the AGM until the conclusion of the 2015 AGM. The Group has arranged a banking facility of up to HK$100 million to implement the plan in October last year. As at the date of this report, the Company has repurchased an aggregate of 14,710,000 shares, equivalent to 0.965% of the above-mentioned issued share capital on the Stock Exchange of Hong Kong at an average price of approximately HK$2.68 per share, commanding a total consideration, before expenses, of approximately HK$39.40 million. The share repurchase plan reflects the board's strong confidence in the Company's solid financial position and the Group's future business prospects.

Going forward, the challenging industry environment is expected to persist over the short term, thus the management will remain vigilant and develop diverse radial tire cord products which meet market needs and are specifically tailored to customers' requirements. The Group will also adjust its strategy in line with market changes, and prepare itself to take maximum advantage of the industry's recovery and achieve breakthroughs in long-term development. In the long run, continuous growth in the population numbers of automobile and trucks in China and the rising demand for automobiles in urban and rural areas driven by the Chinese government's mini-stimulus measures, further investment in infrastructure and urbanisation are expected to positively affect the development of the radial tire cord industry.

On behalf of Xingda, I would like to express my heartfelt thanks to our shareholders, customers and suppliers for their continuous trust and support. I also wish to extend my sincere gratitude to all of the employees of Xingda for their dedicated contributions to the development of the Group.

Liu Jinlan
Chairman
Shanghai, China, 26 March 2015

Management Discussion and Analysis

INDUSTRY OVERVIEW

China's economy has experienced a slight downward trend in economic growth in 2014 which marked an important transition year. However, recognising its economy was slowing down, the Chinese government has embarked on a number of policy initiatives to implement a more significant structural transformation and adjustment in the coming years.

According to the China Rubber Industry Association, China's tire output has recorded a growth of 10.2% to approximately 562 million units, of which approximately 506 million units or 90% were radial tires. The Chinese government continues encouraging the use of radial tires in automobiles, requiring the radialisation rate for the tires of passenger cars, heavy-duty trucks and light-duty trucks to reach 100%, 90% and 85% respectively by 2015, according to the Tire Industry Policy announced by the Ministry of Industry and Information Technology of the People's Republic of China. Therefore, this favourable policy will continue to provide the impetus for the demand for radial tire cord.

According to the China Association of Automobile Manufacturers, China's production of trucks declined by 7.9% to approximately 3.20 million units in 2014. The decline was affected by the high base effect in 2013 which was brought by the purchase in advance for the implementation of the fourth stage of the national emission standards for motor vehicles (國家第四階段機動車污染物排放標準). However, China's production of passenger cars increased 7.6% to about 606,000 units, which could be explained by greater demand driven by higher disposable income per capita in China during 2014.

BUSINESS REVIEW

In this relatively unfavourable economic environment, Xingda's management has made concerted efforts to maintain its leading market position. Hence, Xingda managed to record moderate growth of 8.0% in its total sales volume to 592,600 tonnes in 2014. The sales volume of radial tire cord registered a 8.5% growth to 513,900 tonnes, which contributed around 86.7% of the Group's total sales volume (2013: 86.3%). Bead wire sales increased by 8.4% to 75,200 tonnes, accounting for 12.7% of the total sales volume of the Group (2013: 12.7%), while the sales of sawing wire decreased by 36.4% to 3,500 tonnes, representing 0.6% of the Group's total sales volume (2013: 1.0%).

During the year under review, radial tire cord for trucks remained as the Group's primary product. Against the favourable backdrop of China's continuing construction projects and burgeoning logistics expansion in 2014, the sales volume of radial tire cord for trucks registered an increase of 5.3% to 335,300 tonnes. At the same time, driven by the growing replacement demand of the domestic automobile tire market together with the new orders from overseas customers, sales of radial tire cord for passenger cars reached 178,600 tonnes, up 15.0% from the previous year. Sales of radial tire cord for trucks and passenger cars represented around 65.2% and 34.8%, respectively, of the Group's total sales volume of radial tire cord products (2013: 67.2% and 32.8%).

BUSINESS REVIEW – *CONTINUED*

SALES VOLUME

	2014	2013	Change
	Tonnes	*Tonnes*	
Radial Tire Cords	**513,900**	473,700	+8.5%
– For Trucks	***335,300***	*318,400*	*+5.3%*
– For Passenger Cars	***178,600***	*155,300*	*+15.0%*
Bead Wires	**75,200**	69,400	+8.4%
Sawing Wires	**3,500**	5,500	-36.4%
Total	**592,600**	548,600	+8.0%

In 2014, when the robust demand from its automobile market is considered, China still remains as the Group's key revenue generator. As a result, a healthy increase of 6.6% was recorded in the Group's domestic sales volume of radial tire cord to 414,200 tonnes (2013: 388,600 tonnes), representing 80.6% of the Group's total sales volume for this product (2013: 82.0%). Meanwhile, the Group's global business also enjoyed steady growth. Internationally, sales to Asia (except China) region registered the best performance, and sales to North America region ranked second. The export sales volume of its radial tire cord increased by 17.2% to 99,700 tonnes (2013: 85,100 tonnes), which accounted for 19.4% of the Group's total sales volume of radial tire cord in 2014 (2013: 18.0%).

However, the Group's sales volume of sawing wire recorded a decline of 2,000 tonnes to a total volume of 3,500 tonnes (2013: 5,500 tonnes). The decrease is mainly due to vigourous competition in the Chinese sawing wire market.

As at the end of 2014, the annual production capacity of the Jiangsu factory increased from 520,000 tonnes to 560,000 tonnes. Meanwhile, the trial production of the new Shandong plant with an annual production capacity of 50,000 tonnes in Phase One has begun in the first quarter of 2015. This expansion raises the Group's annual production capacity of radial tire cord to 610,000 tonnes in 2015 upon commencement of the full operation of the Shandong plant. The annual production capacity of bead wire and sawing wire remains at 100,000 tonnes and 12,000 tonnes, respectively. With a cautious expansion plan for its Jiangsu factory, the Group continued to maintain a high overall utilisation rate of 90% (2013: 86%).

	2014 Production Capacity *(Tonnes)*	**2014 Utilization Rate**	2013 Production Capacity *(Tonnes)*	2013 Utilization Rate
Radial Tire Cords	**560,000**	**94%**	520,000	90%
Bead Wires	**100,000**	**76%**	100,000	69%
Sawing Wires	**12,000**	**30%**	12,000	45%
Overall	**672,000**	**90%**	632,000	86%

As at the end of 2014, the Group offered a wide variety of products, including 223 types of radial tire cord, 68 types of bead wire and 13 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	**2014**	**Proportion**	2013	Proportion	Change
Radial Tire Cords	**5,128.2**	**92%**	5,078.1	91%	+1.0%
– *For trucks*	***3,428.4***	***61%***	*3,501.8*	*63%*	*-2.1%*
– *For passenger cars*	***1,699.8***	***31%***	*1,576.3*	*28%*	*+7.8%*
Bead wires	**399.0**	**7%**	396.5	7%	+0.6%
Sawing wires	**67.7**	**1%**	110.6	2%	-38.8%
Total	**5,594.9**	**100%**	5,585.2	100%	+0.2%

The Group's total revenue increased by 0.2% or RMB9.7 million to RMB5,594.9 million in 2014, mainly supported by the growth of sales of radial tire cord for passenger cars in both domestic and overseas markets. Domestic and overseas markets each accounted for around 79.8% and 20.2%, respectively, of the Group's total sales (2013: 81.6% and 18.4%).

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased by 8.1% or RMB112.5 million to RMB1,272.9 million in 2014 (2013: RMB1,385.4 million), mainly due to the Group's strategic reduction of the average selling price of radial tire cord in response to the increasingly competitive market conditions. Hence, gross profit margin decreased 2.0 percentage points to 22.8% (2013: 24.8%).

OTHER INCOME

Other income decreased by RMB12.6 million or 26.0% from RMB48.4 million in 2013 to RMB35.8 million for the year under review. The decrease was mainly caused by a decline in sales of scrap materials.

GOVERNMENT GRANT

Government grants for the year increased by 32.0% from RMB27.2 million in 2013 to RMB35.9 million mainly due to the increase in recurring subsidies from the local government.

SELLING AND DISTRIBUTION EXPENSES

In 2014, selling and distribution expenses increased by RMB5.9 million or 1.7% to RMB362.3 million (2013: RMB356.4 million), which was mainly caused by higher shipping cost associated with higher sales volume.

FINANCIAL REVIEW – *CONTINUED*

ADMINISTRATIVE EXPENSES AND OTHER EXPENSES AND LOSSES, NET

Administrative expenses increased by RMB2.9 million or 1.1% to RMB272.1 million mainly due to the increase in depreciation and retirement benefits scheme contributions which have fully offset the decrease in staff costs. Other expenses and losses, net increased by RMB38.7 million or 81.1% from RMB47.7 million in 2013 to RMB86.4 million in 2014. The increase was mainly due to the increase in research and development expenditure, loss on disposal of property, plant and equipment as well as the impairment loss on trade receivables.

FINANCE COSTS

Finance costs dropped by RMB15.4 million or 24.0% to RMB48.9 million from RMB64.3 million in 2013. The decrease was mainly due to the drop of both the average balance of bank borrowings and the weighted average interest rate of bank borrowings.

INCOME TAX EXPENSE

The Group's income tax charge decreased by RMB37.9 million to RMB111.9 million with an effective tax rate of 19.5% (2013: 20.6%). The decrease in income tax expenses was mainly caused by the decline in operating profits.

NET PROFIT

Taking the above factors into account, the Group's net profit for the year ended 31 December 2014 decreased by RMB113.0 million or 19.6% from RMB575.9 million in 2013 to RMB462.9 million. If the deferred tax charge related to the provision of withholding tax and net exchange gain or loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2014 would have been RMB471.6 million, representing a decrease of RMB104.1 million or 18.1% when compared with previous year.

RECONCILIATION OF REPORT PROFIT AND UNDERLYING PROFIT

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**462,859**	575,901
Deferred tax charges related to the provision of withholding tax	**3,585**	6,794
Net exchange loss (gain) arising from non-operating activities	**5,107**	(6,949)
Underlying profit for the year	**471,551**	575,746
Underlying profit for the year attributable to:		
Owners of the Company	**336,480**	414,655
Non-controlling interests	**135,071**	161,091
	471,551	575,746

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year under review, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flow generated from operating activities whereas the principal uses of cash were expansion of production capacity, purchase of investment in securities and payment of dividends.

Bank balances and cash including bank deposits of the Group increased by RMB116.7 million from RMB414.2 million as at 31 December 2013 to RMB530.9 million as at 31 December 2014. The increase was due to the cash generated from operating activities of RMB895.2 million exceeding the cash used in both investment and financing activities of RMB452.0 million and RMB326.5 million respectively.

Bank borrowings decreased by RMB200.4 million or 19.7% to RMB815.7 million as at 31 December 2014 from RMB1,016.1 million as at 31 December 2013. The bank borrowings carried interest at market rates from 1.43% to 5.70% (2013: 1.89% to 5.70%) and were repayable within one year from 31 December 2014.

The Group's current assets increased by 4.4% to RMB5,608.6 million as at 31 December 2014 from RMB5,373.2 million as at 31 December 2013 and its current liabilities increased by 2.2% from RMB3,039.2 million as at 31 December 2013 to RMB3,107.5 million as at 31 December 2014. The Group's current ratio, being defined as current assets over current liabilities, increased from 1.77 times as at 31 December 2013 to 1.80 times as at 31 December 2014. The increase was mainly caused by the increase in inventories. The gearing ratio which is measured by total debts (bank borrowings) to total assets decreased from 10.4% as at 31 December 2013 to 8.1% as at 31 December 2014 due to the decrease in bank borrowings repayable within one year and the increase in inventories.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in renminbi, US dollars and euros. Part of the sales proceeds in US dollars and euros have been used to purchase imported raw materials in the same currencies, while the exchange rate fluctuation of renminbi did not have a significant adverse effect on the operating results of the Group in 2014.

Apart from certain bank balances, debtors' balances and bank borrowings in US dollars, euros and Hong Kong dollars, most of the assets and liabilities of the Group were denominated in renminbi. Therefore, the Group was not exposed to significant foreign exchange risk. During the year under review, exchange rate fluctuation had not caused any material adverse effect 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 is closely monitoring the impact of change in value of the renminbi on its operations and may consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the year ended 31 December 2014, capital expenditure of the Group for property, plant and equipment amounted to RMB417.8 million (2013: RMB263.8 million).

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had made capital commitment of approximately RMB143.5 million (31 December 2013: RMB118.5 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 2014 and 31 December 2013.

PLEDGE OF ASSETS

As at 31 December 2014, the Group pledged bank deposits of RMB8.0 million to a bank to secure bank borrowings (31 December 2013: RMB34.0 million to secure bill payables).

SIGNIFICANT INVESTMENTS

On 24 March 2014, an agreement was reached between Jiangsu Xingda Steel Tyre Cord Co., Ltd., an indirectly owned subsidiary of the Company, and Guizhou Tyre Co., Ltd. ("Guizhou Tyre", stock code: 000589.SZ) for the subscription of 30,000,000 new A shares issued by Guizhou Tyre at RMB4.48 per share in cash under a non-public offer. The subscription monies of RMB134.4 million were satisfied by internal resources of the Group. Save as disclosed above, the Group had no other significant external investments for the year ended 31 December 2014 and 31 December 2013.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the year ended 31 December 2014 and 31 December 2013.

HUMAN RESOURCES

As at 31 December 2014, the Group had approximately 6,500 (31 December 2013: approximately 6,800) full time employees. Total staff costs including directors' remuneration for the year ended 31 December 2014 was approximately RMB526.1 million (2013: approximately RMB490.0 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 2014, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB8.1 million (2013: RMB7.6 million).

HUMAN RESOURCES – *CONTINUED*

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 of Directors 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 selected employees until such shares are vested in the 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. In 2013, 10,481,000 Company's shares were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were treated as the "Third Batch Shares". In 2014, 4,519,000 Company's shares were purchased by the trustee on the public market and were added to the Third Batch Shares.

During the year ended 31 December 2014, the total consideration and other directly attributable incremental costs of the shares purchased under the share award scheme in an aggregate amount of RMB10.9 million (2013: RMB22.4 million) were recognised in the reserve of the Company. As at 31 December 2014, all the First Batch Shares and two-thirds of the Second Batch Shares had been vested with selected employees. The remaining portion of the Second Batch Shares and all the Third Batch Shares amounting to a total of 13,342,000 shares will be vested with selected employees in a four-year period from 2015 onwards.

PROSPECTS

Looking ahead, the ongoing slowdown in economic growth in China resulting from economic restructuring is likely to present specific pressures on the operating environment of the Group. However, in 2014, the Chinese government has introduced a series of policies that will be supportive of the manufacturing industry. Most significant here are the "National Plan on New Urbanisation (2014-2020)," the preparation work for "The 13th Five-Year Plan" and the strategic concept of "one belt, one road" as part of the New Silk Road Economic Belt and its role within the development blueprint of western China. All of these policy initiatives are critical as the engine of economic growth shifts to domestic consumption, thereby spurring an increase in the ownership of passenger cars and trucks which in turn fuels the rise of replacement demand for radial tires and tire cords and creates sustainable growth momentum for the Group's development.

PROSPECTS – *CONTINUED*

In the short run, the Group still faces fierce industry competition. Starting from the second quarter of 2014, the average selling price of radial tire cords has recorded a continuous decline. The price competition is expediting industry consolidation and may eliminate some small-to-medium sized radial tire cord manufacturers. In the long run, the competition should facilitate the rational use of resources and positively affect the radial tire cord industry as well as benefit Xingda in expanding its market reach throughout China. Moreover, the Group strongly believes that its substantial capital advantages such as a solid financial position, lower gearing ratio and healthy cash flow are critical to its efforts to overcome the adverse conditions.

Optimising its strength as one of the largest radial tire cord manufacturers in China, Xingda has recorded industry-leading results during the challenging period by leveraging its stable customer base, leading-edge production technology and stringent quality control procedures. In the future, Xingda intends to execute its global sales strategy in order to extend its business presence, step up its research and development efforts and enrich its product mix, while striving to maintain its domestic market share and explore new markets overseas in a bid to maintain its steady growth.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 65, 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 19 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 38, 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 19 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.

EXECUTIVE DIRECTORS – *CONTINUED*

Mr. TAO Jinxiang (陶進祥), aged 52, 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 19 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 45, 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 14 years of experience in the radial tire cord manufacturing industry.

NON-EXECUTIVE DIRECTOR

Ms. WU Xiaohui (鄔小蕙), aged 54, has been a non-executive Director since August 2005. She joined China National Cereals, Oils and Foodstuffs Import and Export Corporation ("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 served as the Chief Financial Officer of COFCO from February 2002 to November 2012. She has been the Vice President of COFCO since November 2012 and she is in charge of the financing activities of COFCO. She has also been the supervisor of Industrial Bank Co. Ltd (a company listed on the Shanghai Stock Exchange) from June 2006 to October 2013. 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 29 years of experience in finance and accounting.

Directors' and Senior Management's Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 58, 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 and Richfield Group Holdings Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). From 20 October 2003 to 29 June 2012, Mr. Koo served as an independent non-executive director of Weichai Power Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange). While Mr. Koo has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgment in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent non-executive director in various public listed companies. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States of America and is a certified public accountant.

Mr. William John SHARP, aged 73, has been an independent non-executive Director since August 2005. Mr. Sharp is the president of Global Industrial Consulting, a consulting firm. He is also an independent director of Acquity Corporation, a leading Brand eCommerce and digital marketing company and China Zenix Auto International Limited that manufactures commercial vehicle wheels (all of which are companies listed on the NYSE). From 1998 to April 2012, he served as a director of Ferro Corporation, a manufacturer of performance materials listed on the NYSE. Mr. Sharp also served as an independent non-executive director of Exceed Co Ltd (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. While Mr. Sharp has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgment in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent director in various public listed companies. 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 47 years of experience in the tire manufacturing industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS – *CONTINUED*

Ms. XU Chunhua (許春華), aged 71, 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. While Ms. Xu has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that she is able and will continue to exercise independent and professional judgment in relation to matters and affairs of the Company, as she has displayed her competence in serving as an independent director in another public listed company. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 47 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 39, 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 15 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 unofficial English translation of a Chinese name*

Directors' Report

The directors of the Company ("Directors") are pleased to present their annual report and the consolidated financial statements of the Group for the year ended 31 December 2014.

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 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of the annual report.

A final dividend of 16.0 HK cents per share for the year ended 31 December 2013 was paid to the shareholders of the Company during the year ended 31 December 2014.

The Board has recommended the payment of a final dividend of 13.0 HK cents (approximately RMB10.3 fen) per share for the financial year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2015. The final dividend will be payable on Monday, 29 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 May 2015 to Thursday, 21 May 2015, 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 Thursday, 21 May 2015, 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 Monday, 18 May 2015.

The proposed final dividend for the year ended 31 December 2014 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 21 May 2015. The register of members of the Company will be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015, 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 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, 29 May 2015.

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 consolidated financial statements, is set out on page 126 of the annual report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 18 and 20 to the consolidated financial statements, respectively.

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.

USE OF PROCEEDS – *CONTINUED*

Up to 31 December 2014, the Group has utilised approximately HKD687 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 2014	Balance of net proceeds as at 31 December 2014
	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	10,368	59,632
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	686,726	400,274

The remaining amount of approximately HKD400 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 Company's prospectus dated 8 December 2006 (the "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 ended 31 December 2014, all the net proceeds were utilised for enhancing the production facilities of a joint venture invested by the Group and financing the working capital.

SHARE CAPITAL

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

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity on page 56 and note 41 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB779.8 million (2013: RMB817.0 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 2014 are set out in note 31 to the consolidated 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. ZHANG Yuxiao

NON-EXECUTIVE DIRECTOR:

Ms. WU Xiaohui

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

DIRECTORS – *CONTINUED*

Pursuant to Article 87 of the Articles of Association, Mr. Liu Jinlan, 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 14 to 17 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.

The non-executive Director 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.

RELATED PARTY TRANSACTIONS

Other than the details as set out in note 38 to the consolidated financial statements, no other related party transactions were entered into by the Group during the year ended 31 December 2014.

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 2014, the interests and short positions 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") contained in the Listing Rules, 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 2014** *(note 5)*
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)*	571,491,000	37.715%
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)*	571,491,000	37.715%
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)*	571,491,000	37.715%
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)*	571,491,000	37.715%
Koo Fook Sun, Louis	Beneficial owner	118,000	0.008%
William John Sharp	Beneficial owner	118,000	0.008%
Xu Chunhua	Beneficial owner	50,000	0.003%

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

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

Notes:

1. Mr. Liu Jinlan held 2,800,000 shares in his own name as at 31 December 2014. 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 2014, 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 1,400,000 shares in his own name as at 31 December 2014. 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 2014, 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 1,400,000 shares in his own name as at 31 December 2014. 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 2014, 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 400,000 shares in his own name as at 31 December 2014. 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 2014, 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.

5. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2014, i.e., 1,515,286,693. A total number of 5,393,000 shares of the Company were bought back by the Company in November and December 2014 but not yet cancelled as at 31 December 2014.

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

(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 2014
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 31 December 2014, 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 as disclosed under the paragraph headed "Directors and Chief Executive's interests and Short Positions in Shares, Underlying Shares and Debentures' and 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 2014 are set out in note 34 to the consolidated 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 Covenantors 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 Covenantors 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 2014, 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 2014 *(note 6)*
Great Trade Limited	Beneficial owner	238,348,000	15.73%
In-Plus Limited	Beneficial owner	135,064,000	8.91%
Perfect Sino Limited	Beneficial owner	111,229,000	7.34%
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)*	571,491,000	37.72%
Matthews International Capital Management, LLC	Interest of a controlled corporation	121,861,000	8.04%
JPMorgan Chase & Co.	Interests of controlled corporations *(note 2)*	112,591,500	7.43%
E-Star Corporation	Beneficial owner *(note 3)*	106,649,400	7.04%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 3)*	106,649,400	7.04%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 3)*	106,649,400	7.04%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation *(note 3)*	106,649,400	7.04%
Franklin Templeton Investment Management Limited	Interest of a controlled corporation	87,881,000	5.80%
Franklin Templeton Investments (Asia) Limited	Interest of a controlled corporation	85,494,000	5.64%
Lu Guangming George	Interests of controlled corporations *(note 4)*	83,187,600	5.49%
Prudential plc	Interests of controlled corporations *(note 5)*	76,404,100	5.04%

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

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – *CONTINUED*

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 1,400,000 shares in his own name as at 31 December 2014. 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 2014, 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. JPMorgan Chase & Co. owned 100% of the issued share capital of JPMorgan Chase Bank, N.A. which held 110,148,500 shares in the Company as at 31 December 2014. JPMorgan Chase & Co. owned 100% of the issued share capital of JPMorgan Chase Bank, N.A., which in turn owned 100% of the issued share capital of J.P. Morgan International Inc., which in turn owned 100% of the issued share capital of Bank One International Holdings Corporation, which in turn owned 100% of the issued share capital of J.P. Morgan International Finance Limited. As at 31 December 2014, J.P. Morgan International Finance Limited held 1,542,000 shares in the Company. JPMorgan Chase & Co. owned 100% of the issued share capital of J.P. Morgan Broker-Dealer Holdings Inc,, which in turn owned 100% of the issued share capital of J.P. Morgan Securities LLC,, which in turn owned 100% of the issued share capital of J.P. Morgan Clearing Corp. As at 31 December 2014, J.P. Morgan Clearing Corp held 901,000 shares in the Company. For the purpose of Part XV of the SFO, JPMorgan Chase & Co. is deemed to be interested in the shares in the Company with a total number of 112,591,500 held by JPMorgan Chase Bank, N.A., J.P. Morgan International Finance Limited and J.P. Morgan Clearing Corp 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 2014, 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. 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 2014, 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 2014. 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.

5. For the purpose of Part XV of the SFO, Prudential plc was deemed to be interested in the 76,404,100 shares in the Company held by its controlled corporations as at 31 December 2014.

6. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2014, i.e., 1,515,286,693. A total number of 5,393,000 shares of the Company were bought back by the Company in November and December 2014 but not yet cancelled as at 31 December 2014.

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 2014 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

For the year ended 31 December 2014, the Company repurchased 9,490,000 shares through the Stock Exchange at a total consideration, before expenses, of approximately HK$25.9 million. Such shares have been cancelled up to the date of this report. Details of repurchase are as follows:

Month of repurchase	Number of ordinary shares repurchased	Repurchasing price for each share Highest HK$	Lowest HK$	Aggregate consideration paid HK$ Million	Equivalent to RMB Million
October 2014	1,205,000	2.50	2.39	2.9	2.3
November 2014	4,314,000	2.85	2.65	12.1	9.5
December 2014	3,971,000	2.80	2.67	10.9	8.6
Total	9,490,000			25.9	20.4

Save as disclosed above and apart from the Company's shares purchased under the share award scheme of the Company as mentioned in page 12 of this report, 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 2014.

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 shareholders of the Company 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 2014 is disclosed in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 37% of the Group's total revenue and the largest customer contributed approximately 12% of the Group's total revenue for the year ended 31 December 2014. The five largest suppliers represented approximately 83% of the Group's total purchases and the largest supplier represented approximately 71% of the Group's total purchases for the year ended 31 December 2014.

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.

AUDITORS

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

On behalf of the Board
LIU Jinlan
Chairman

26 March 2015

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 Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, except for the following:–

Code provision A.2.1 provides that the roles of chairman and chief executive 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 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.

Code Provision A.4.1 provides that non-executive Directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the term of appointment for its non-executive Director, Ms. Wu Xiaohui, since she is subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Code provision A.6.7 provides that independent non-executive Directors and non-executive Directors should attend general meetings. Ms. Wu Xiaohui, a non-executive Director, Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 23 May 2014 as they had to attend other meetings or were engaged in other businesses and commitments. However, Ms. Wu, Mr. Koo, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the non-executive Directors and independent non-executive Directors was ensured.

In compliance with the code provisions of the Corporate Governance Code, the Company has set up the Audit Committee, the Remuneration and Management Development Committee and the Nomination Committee, and the Board has been responsible for performing the corporate governance duties as set out in the code provisions.

Corporate Governance Report

THE BOARD

COMPOSITION AND RESPONSIBILITIES

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.

The Board is also responsible for performing the relevant functions set out in the Corporate Governance Code, including developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board, reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements, reviewing and monitoring the code of conduct and compliance manual applicable to the Directors and employees, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the Company's compliance with the Corporate Governance Code (as applicable) and disclosures in the Company's corporate governance report. The Board, under the leadership of its chairman, adopted appropriate efforts and measures to ensure the Company's corporate governance policies and practices, training and continuous professional development of the Directors and company secretary are in compliance with the code provisions of the Corporate Governance Code.

In addition to providing sufficient time and attention to the affairs of the Group, all Directors disclosed to the Company the number and nature of the offices held in other public companies and updated the Company on any subsequent changes in a timely manner.

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 14 to 17 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.

A list of directors and their role and function has been uploaded and maintained on the websites of the Company and the Stock Exchange.

MEETINGS

The Board will meet regularly at least four times a year at approximately quarterly intervals. For the year ended 31 December 2014, the Board held four meetings to discuss and approve various important matters. The table below sets out the attendance of each Director at the AGM and the meetings of the Board and other Board committees held during the year ended 31 December 2014:

	AGM	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	1/1	4/4	N/A	N/A	1/1	1/1	1/1	1/1
Mr. LIU Xiang	1/1	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Mr. TAO Jinxiang	1/1	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. ZHANG Yuxiao	1/1	4/4	N/A	N/A	N/A	1/1	N/A	1/1
Non-executive Director								
Ms. WU Xiaohui	0/1	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors								
Mr. KOO Fook Sun, Louis	0/1	4/4	3/3	2/2	1/1	N/A	N/A	N/A
Mr. William John SHARP	0/1	4/4	3/3	2/2	N/A	N/A	N/A	N/A
Ms. XU Chunhua	0/1	4/4	3/3	N/A	1/1	N/A	N/A	N/A

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 members of the Board or the Board committees at least fourteen days before the Board meeting or no later than seven working days before the date of the Board committee 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 members of the Board or the Board committees at least three days (or other agreed period) in advance, which ensures enough time is given to them 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.

During the year, a meeting was held between the Chairman, the Non-executive Director and the Independent non-executive Directors. The purpose of the meeting was to discuss about the performance of the Board members and the management.

APPOINTMENT AND RE-ELECTION

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. In 2014, all independent non-executive Directors have served the Company for 9 years and their further re-appointment shall be subject to a separate resolution to be approved by shareholders in accordance with the requirements under Code Provision A.4.3 of the Corporate Governance Code..

Pursuant to Article 87 of the Articles of Association of the Company, Mr. Liu Jinlan, 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.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors acknowledge the need to develop and refresh their knowledge and skills by participating in training and continuous professional development courses. During the year, the Company arranged and provided suitable in-house training courses for all Directors to update them about the amendments to the Listing Rules, the revised code provisions of the Corporate Governance Code and their role and functions. The training records kept and provided by the Directors in the year 2014 are as follows:–

	Participating in in-house training courses
Executive Directors	
Mr. LIU Jinlan	Yes
Mr. LIU Xiang	Yes
Mr. TAO Jinxiang	Yes
Mr. ZHANG Yuxiao	Yes
Non-executive Director	
Ms. WU Xiaohui	Yes
Independent non-executive Directors	
Mr. KOO Fook Sun, Louis	Yes
Mr. William John SHARP	Yes
Ms. XU Chunhua	Yes

During the year ended 31 December 2014, the Company updates all Directors on the Company's monthly performance, position and prospects by providing them with financial data including monthly management accounts and production plan.

The Company provided all Directors with the latest version of "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and "Guidelines for Directors" issued by the Hong Kong Institute of Directors. For the independent non-executive Directors, they have been provided with the "Guide for Independent Non-executive Directors"published by the Hong Kong Institute of Directors.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has arranged for appropriate Directors' and officers' liability insurance throughout the year ended 31 December 2014 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.

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 only.

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;

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

(k) to review the employees' concerns of any possible improprieties in financial reporting, internal control or other matters and to ensure appropriate follow-up actions were properly took up, and to establish a whistleblowing policy and system for employees and those who deal with the Company or its subsidiaries to raise concern about possible improprieties.

During the year ended 31 December 2014, the Audit Committee had five meetings and out of these, two meetings were held with the external auditors. During the meetings held, the Audit Committee had performed the following works:

- reviewing the audited financial statements for the year ended 31 December 2013 and the unaudited financial statements for the six months ended 30 June 2014;
- 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 2014;
- reviewing the internal control report issued by another independent professional body and monitoring the progress on an improvement of the Group's internal control system; and
- reviewing any improprieties raised by the employees under the whistleblowing system regularly and ensuring proper independent investigation was followed.

On 25 March 2015, the Audit Committee met with the external auditors to discuss the general scope of their audit work and reviewed the financial statements for the year ended 31 December 2014 as well as the management letter issued by the external auditors for the annual audit for the year ended 31 December 2014.

The terms of reference of the Audit Committee have been published on the websites of the Company and the Stock Exchange.

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 corporate goals, policy and structure for all remuneration of Directors and senior management, to make recommendations of remuneration packages of executive Directors and senior management, to make recommendations of remuneration for non-executive Directors to the Board, to ensure that no Director or any of his associates is involved in deciding his own remuneration 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 Company has adopted the model whereby the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office(s) or appointment(s).

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 two times during the year ended 31 December 2014. A summary of work performed by the Remuneration Committee during the year is set out below:

- recommending the Board on the remuneration packages of the Directors and senior management of the Group for the year ended 31 December 2013;
- evaluating and making recommendations to the Board on the remuneration policy of the Directors and senior management of the Group for the year ended 31 December 2014 with reference to the remuneration package of the Board in 2013 and the Group's estimated financial performance for the year ended 31 December 2014; and
- approving the vesting of share awards granted to the employees of the Group upon the achievement of financial performance target of the Group in the year 2013.

Subsequent to the year 2014, the Remuneration Committee held another two meetings on or before 25 March 2015. 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 2014;
- resolved that the total remuneration and compensation of the Directors and senior Management paid for the year ended 31 December 2014 was approved, ratified and recommended to the Board; and
- approving the vesting of share awards to the employees of the Group upon the achievement of financial performance target of the Group in the year 2014.

The terms of reference of the Remuneration Committee have been published on the websites of the Company and the Stock Exchange.

Details of annual remuneration paid to members of key management fell within the following bands:

	Number of individuals
RMB1,000,000 or below	7
RMB1,000,001–RMB2,000,000	5
RMB6,000,001–RMB7,000,000	2
RMB9,000,001–RMB10,000,000	2
RMB14,000,001–RMB15,000,000	1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 23 August 2005. The Nomination Committee consists of three Directors, namely Mr. Liu Jinlan, an executive Director, Mr. Koo Fook Sun, Louis and Ms. Xu Chunhua, both being independent non-executive Directors. The chairman of the Nomination Committee was Mr. Liu Jinlan.

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

(a) 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;

(b) to review the structure, size and composition (including the skills, knowledge and experience required) of the Board regularly;

(c) to carry 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;

(d) to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the chairman of the Company;

(e) to assess the independence of independent non-executive Directors, having regards to the requirements under the Listing Rules; and

(f) to review its own performance, constitution and terms of reference on a regular basis.

The terms of reference of the Nomination Committee have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2014, the Nomination Committee reviewed the structure, size and composition of the Board in the one meeting held. There was no nomination of Directors to fill Board vacancies in the year ended 31 December 2014.

The Company is committed to equality of opportunity in all aspects of its business. The Group adopted the Board Diversity Policy (the "Policy") in September 2013. The Company embraces the benefits of having a diverse Board can strengthen the performance of the Board and promote better corporate governance.

"Board Diversity" can be achieved through consideration of a number of factors and measure objectives, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In informing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time.

During the year ended 31 December 2014, the Nomination Committee members have reviewed the composition of the Board and the Policy to ensure its effectiveness.

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 2014.

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 2014.

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. The chairman of the Investment and International Development Committee is Mr. Zhang Yuxiao. The Investment and International Development Committee had one meeting during the year ended 31 December 2014.

COMPANY SECRETARY

The Company Secretary, Mr. Cheng Kam Ho, took no less than 15 hours of relevant professional training for the year ended 31 December 2014. Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and his biography is set out in the section headed "Directors and Senior Management" on page 17 of this annual report. For the year under review, Mr. Cheng provided his working report to the chairman of the Board, Mr. Liu Jinlan, directly. Mr. Cheng also reported to the Board members on the amendments to the Listing Rules and corporate governance practices particularly relating to director's duties and responsibilities on a timely manner.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Articles of Association in the year 2014. A copy of an up-to-date consolidated version of the Memorandum of Association and Articles of Association has been uploaded and maintained on the websites of the Company and the Stock Exchange.

SHAREHOLDERS RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to the Company's articles of association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT A GENERAL MEETING

Shareholders may suggest proposals relating to the Company to be discussed at a general meeting by sending written requisition to the Board or the company secretary of the Company and following the procedures set out in the paragraph headed "Procedures for shareholders to convene an extraordinary general meeting" above to convene an extraordinary general meeting for any business specified in such written requisition.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Subject to applicable laws and regulations, including Companies Law, Cap.22 (as revised and amended) of the Cayman Islands and the Listing Rules, and the memorandum of association and articles of association of the Company as amended from time to time, the Company may by ordinary resolution in general meeting elect any person to be a director of the Company either to fill a casual vacancy on the board of directors or as an addition to the existing board of directors. A shareholder of the Company may propose a person for election as a director of the Company by lodging a written notice to that effect at the head office and principal place of business of the Company in Hong Kong for the attention of the Company Secretary or at the branch register of members of the Company.

In order for the Company to inform shareholders of the Company of that proposal, the written notice must state the full name of the person proposed for election as a director of the Company, include the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. The minimum length of the period during which such a written notice is given shall be at least seven days and the period for lodgement of such a written notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may direct their queries to the Board and may at any time make a request for the Company's information to the extent such information is publicly available through the company secretary of the Company whose contact details are as follows:

Address: Suite 1219, 12/F., 100 QRC, 100 Queen's Road Central, Central, Hong Kong
Fax: 852-2139 2462

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges the responsibilities of overseeing the preparation of the financial statements for the year ended 31 December 2014, 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 2014, 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 51 and 52 of this annual report.

AUDITORS' REMUNERATIONS

For the year ended 31 December 2014, the Group paid approximately RMB1,531,000 and RMB284,000 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 were for 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.

In addition to the internal audit department, the Group also delegated an independent professional body to assess and review the group's internal control system during the year. The Board will continue to conduct reviews on the internal control systems through the Audit Committee or professional firms and will take all necessary measures to safeguard the Group's assets and the interests of shareholders, customers and employees.

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 2014.

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 2014, 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.

On 23 May 2014, the Chairman of the Board, as well as Chairman of each of the Board Committees, or in their absence, at least one member of the respective Committees (except the Remuneration Committee) attended the annual general meeting to answer any questions made by the shareholders. During that day, the external auditor was also available to answer any questions from the shareholders about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and the auditor's independence.

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.

2014 Environmental, Social and Governance Report

Bearing in mind the interests of shareholders and its responsibility of social contribution, Xingda sustained high-quality corporate governance, endeavored to improve and protect the environment of manufacturing plants and proactively assumed the corporate social responsibility, aiming for its long-term goal of becoming the world first-class manufacturer and globally renowned brand of radial tire cord.

Making its employees feel assured at work by providing a safe and stable work environment, Xingda ensured the fine quality of its products, thus maintaining its profitability in 2014 and bringing maximum return for its shareholders.

CORPORATE GOVERNANCE

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors and the Company Secretary are responsible for ensuring the Company's compliance with the Listing Rules and reducing operational risks of the Company. The risks in relation to finance, malpractice, asset loss and misappropriation are reduced due to the effective budget system and the operations of internal audit and supervision department. External auditors periodically review the internal control and risk management system and offer their advice to improve any deficiencies of the Company.

An independent audit department has been established within the Company to prevent any bribery, blackmail and fraud of employees. The Company encourages employees to report any corruption directly to the Audit Committee and inculcates the anti-corruption awareness among employees through publicity department. During the year, the Company did not receive any report of sub-standard behavior or corruption.

PROTECTION OF INVESTOR INTERESTS AND SHARING ACHIEVEMENTS

To protect the interests of shareholders and investors, the Company has set out the shareholders' rights in general meetings and the qualifications for nominated directors and established an independent department on investor relations management to hold meetings with institutional investors and shareholders from time to time and feed back their opinions to the management of the Company. The Company distributes dividends to share its achievements with shareholders and maintains the transparency and initiative in information disclosure required under the Listing Rules.

PRODUCT LIABILITY

Most of the major suppliers of the Company are from Jiangsu Province and are first of all selected by the relevant departments according to their business reputations and then determined through price comparison and negotiation. The audit department of the Company inspects and supervises the supplier list and procurement price to prevent malpractice.

The Company formulates process control plans and imposes process parameters and product inspection requirements for production process. In addition to on-site inspection, the Company submits samples to lab for instrumental and chemical analysis. The instruments for product inspection are regularly checked and calibrated by the measurement office of the Company and the external inspection agencies.

CORPORATE GOVERNANCE – *CONTINUED*

PRODUCT LIABILITY – *CONTINUED*

Pursuant to the Policy on Customer Complaint Control of the Company, the quality supervision department will follow the procedures to protect, inspect, select, analyze and optimize the returned products. Upon the receipt of customer complaints, the market services department will contact customers to arrange the delivery of problematic information or samples to be handled by relevant departments and if necessary, engage technical staff in on-site communication and investigation. A quality improvement team has been established to initiate product optimization by adopting the approach of 8D analysis and improvement, the result of which will be provided to customers for trial use.

EMPLOYMENT POLICY

BASIC INFORMATION

As at 31 December 2014, Xingda had a total of 6,488 full time employees with an average monthly employee turnover rate of 1.83% during the year. Breakdowns of the current employees by position and by age are set forth below:

By position

Senior management		Middle management		Technical staff and junior management		Auxiliary and operations staff	
Number of individuals	Percentage	Number of individuals	Percentage	Number of individuals	Percentage	Number of individuals	Percentage
17	0.26%	161	2.48%	395	6.09%	5,915	91.17%

By age

Below 20		Aged 20-35		Aged 35-50		Above 50	
Number of individuals	Percentage	Number of individuals	Percentage	Number of individuals	Percentage	Number of individuals	Percentage
129	2.00%	4,378	67.47%	1,912	29.47%	69	1.06%

OCCUPATIONAL SAFETY

The Company has formulated the Management System of Occupational Disease Prevention, the Management System of Occupational Safety and Health Education, the Management System of Dust-proof and Poison-proof Equipment and the Management Procedures of Occupational Health and Safety Inspection and Measurement, and is in compliance with the Production Safety Law of the People's Republic of China and other requirements set out in relevant laws and regulations.

The Company holds educational activities of occupational safety including the publicity of relevant laws and regulations and the training on protection against hazardous substances to promote the use of safety devices. The Company measures the toxicant and hazard concentration at manufacturing sites each year and arranges operations staff who are exposed to toxic and hazardous substances to receive health check at disease control and prevention center.

New employees have to receive plant-level, workshop-level and team-level safety orientation training and special operations staff such as electricians, welders and forklift operators have to be certified. The Company also holds from time to time the training on safety techniques, responsibilities and systems for staff in various positions.

EMPLOYMENT POLICY – *CONTINUED*

EMPLOYEE INTERESTS

To protect the interests of employees, the Company has formulated the staff congress system according to law and established labor union, female employee committee, economic review committee and committee of labor protection, supervision and inspection.

Employee remuneration is determined by taking into consideration the grade of each position, skill, length of employment, attendance record and monthly performance and the equality of remuneration between male and female employees is guaranteed. Pursuant to the Special Collective Agreement on the Protection of Female Employees, female employee representatives must be present at each supervision and mediation committee to prohibit sex discrimination and the Provision on the Protection of the Special Interest of Female Employees has been formulated to protect the special needs of female employees.

RECRUITMENT, TRAINING AND REVIEW

The Company adopts fair and open recruitment mechanism with all positions being openly recruited from within or outside the Company and the recruitment of the best candidates has to be approved by the management before their appointment. Pursuant to the policy on prevention of child labor and forced labor, it is stipulated that all staff have to be 18 years of age or older and the overtime has to be voluntary. In addition, the Company has formulated the Management System of Anti-discrimination to support employees with disabilities.

The Company endeavors to improve the occupational skills of employees by providing new employees with one-on-one mentoring delivered by technicians and lecturers of different positions and professions. Xingda College has been established to hold training sessions twice a year for employees in the talent pool to offer them educational opportunity and development platform for career promotion.

The Company has optimized its performance assessment system to conduct appraisal from the four aspects of finance, customer relationships, internal operations, and learning and development in accordance with its business goals, while the department heads conduct appraisal of employees at each level in accordance with departmental goals.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION

ENVIRONMENTAL PROTECTION

The ISO14001 environmental management system of the Company was established in 2003 and has maintained effective ever since with annual review conducted by CAQC Certification Inc.

The Company implements environmental protection measures including the policy of "three simultaneous" and the principle of "pollution accountability" to ensure the harmony of corporate development and environmental protection. The policy of "three simultaneous" refers to the simultaneous design, the simultaneous construction and the simultaneous production of the antipollution equipment and the main body of any construction project. The principle of "pollution accountability" provides that anyone who causes environmental pollution will be held responsible for pollution treatment and damage indemnification so as to actualize the accountability in environmental protection.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION – *CONTINUED*

ENVIRONMENTAL PROTECTION – *CONTINUED*

To regulate the environmental protection management, the Company has put forward the environmental protection motto of "dreaming of a blue planet and creating a green world" and the four commitments which are complying with national and local environmental protection laws and regulations, carrying out the optimization of environmental management system and environmental behavior, gradually decreasing the use of hazardous substances, and reducing per unit of pollution emitted abnormally. Procedures and operational manuals have been formulated correspondingly.

ENERGY SAVING AND EMISSION REDUCTION

Pursuant to the Law of the People's Republic of China on Energy Conservation, the Regulations of Jiangsu Province on Energy Conservation, the Measures of Jiangsu Province on Supervising Energy Conservation, General Principles for Stipulation of Enterprise Energy Conservation Plan (GB/T25329-2010) and the Relevant Notices and Announcements issued by the National Development and Reform Commission and the Economy and Information Technology Commission of Jiangsu Province, the Company has formulated its "twelfth five-year" energy saving plan adapting to GB/T24001–ISO14001 standards as well as its actual production and operations and an energy saving goal of 70 thousand tonnes of standard coal has been set accordingly. 54 thousand tonnes of standard coal saving was achieved by the end of 2013. As it is expected that 20 thousand tonnes of standard coal will be saved in 2014, the total saving of standard coal during the "twelfth five-year" will exceed 70 thousand tonnes and the energy saving goal will be realized ahead of schedule.

The data on the Company's improvement of energy efficiency in recent years are set out below:

Year	2010	2011	2012	2013	**2014**
Energy consumption per unit of output (tce/t)	0.82	0.76	0.71	0.67	**0.62**
Energy consumption per unit of output value (tce/RMB ten thousand)	0.42	0.38	0.41	0.47	**0.47**

To enhance energy efficiency, the Company has phased out manufacturing technologies featuring high levels of pollution, high energy consumption and low production efficiency to effectively improve its environmental performance and is therefore honored with multiple environmental protection awards including Advanced Unit of Energy Saving in Jiangsu Province, Model Unit of Energy Measurement in Jiangsu Province, Advanced Group of Energy Saving in Jiangsu Province, Advanced Enterprise of Energy Saving in Jiangsu Province and Four-star Enterprise of China Energy-efficiency Star.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION – *CONTINUED*

ENERGY SAVING AND EMISSION REDUCTION – *CONTINUED*

The principal emissions from the production process of the Company and their corresponding treatments are set out below:

Wastewater

pH: acid-base neutralization + flocculation and sedimentation
COD: aeration and oxidation + flocculation and sedimentation + biochemical degradation
Cu: acid-base neutralization + flocculation and sedimentation
Zn: acid-base neutralization + flocculation and sedimentation
P: acid-base neutralization + flocculation and sedimentation + biochemical degradation
Oil: physicochemical precipitation + biochemical degradation

Exhaust gas

Hydrogen chloride: lye spray absorption

Pursuant to national regulations and the limit values set out in Table 2 of Emission Standard of Pollutants for Electroplating (GB21900-2008), the Company collects and treats wastewater generated during production in accordance with the classifications of wastewater and therefore achieves a reuse rate of approximately 80%. Reclaimed water is reserved in the main industrial water pipe, whereas the brine generated from water reclamation is biochemically degraded to meet emission standards with monitoring equipment installed at discharge outlets to inspect the pH, COD and volume of emissions. Pursuant to the limit values set out in Table 5 of Emission Standard of Pollutants for Electroplating (GB21900-2008), exhaust gas is collected from the duct of production facilities and then absorbed by the lye in two or more spray towers to ensure the standard emission of hydrogen chloride.

To effectively prevent any environmental accident, the Company regularly conducts training and on-site exercise to strengthen and regulate the management and disposal of dangerous substances and waste. Dangerous substances and waste generated in production process are managed and properly disposed in accordance with mandatory regulations. The Contingency Plans for Environmental Emergencies of Jiangsu Xingda Steel Tyre Cord Co., Ltd. formulated by the Company was filed with the Environmental Protection Department of Jiangsu Province in December 2013.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION – *CONTINUED*

ENERGY SAVING AND EMISSION REDUCTION – *CONTINUED*

The Company increases investment in environmental protection facilities and introduces new technologies and equipment to reduce the use and emission of toxic and hazardous substances. To enhance transparency, the Company will disclose relevant environmental information, and the data of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 29 December 2014 are set out below:

Name of enterprise	Monitoring point	Volume (m^3)	Factor being measured	Pollutant concentration	Unit	Emission standard	Inspection date and result
Jiangsu Xingda Steel Tyre Cord Co., Ltd.	Discharge outlet of wastewater	4,967	Chemical oxygen demand	34.8	mg/l	80	31 December 2014, qualified
Thermal power plant of Jiangsu Xingda Steel Tyre Cord Co., Ltd.	Discharge outlet of exhaust gas	6,799,260	Dust Sulfur dioxide	13.61 10.457	mg/m^3 mg/m^3	20 50	31 December 2014, qualified

GIVING BACK TO SOCIETY

PRIORITY OF EMPLOYMENT FOR LOCALS

The Company gives residents in places where it operates the priority for employment to increase local employment rate, solve local surplus labor and maintain staff stability. The Company has established long-term cooperation with local government and the department of labor security service so that local residents will be considered on priority for employment.

COMMUNITY AND CHARITY ACTIVITIES

The Company held or participated in various community and charity activities in relation to providing for the poor and needy, culture and education, and publicity on environmental protection, with particular focus on the activities including helping the poor, building the civilized eco-village, environmental treatment, voluntary blood donation, disaster relief donation and supporting industrial development. The Company once dispatched more than ten of its top employees to be engaged in building the new socialist countryside in remote villages and towns of Xinghua City and provided funds for road and bridge maintenance, which in return was applauded by local community and government.

In July 2008, the Company established Jiangsu Xingda Kind Fund to help the poor and needy and provide them with financial assistance for medical treatment. The Company was awarded the "National Model Group of Caring for Livelihood and Welfare" (中國關愛民生公益模範集體) by China Public Welfare Alliance (中國公益事業聯合會) and China Charity Project Committee (中國愛心工程委員會) to recognize the Company's contribution to public welfare.

GIVING BACK TO SOCIETY – *CONTINUED*

COMMUNITY AND CHARITY ACTIVITIES – *CONTINUED*

In 2014, the Company became one of the supporting organizations of the Ethical Consumption campaign in Hong Kong. Organized by Fullness Social Enterprises Society, the Ethical Consumption campaign aims to promote the concept of "10% Swap for Good" and encourages consumers and enterprises to choose the products and services provided by the Social Enterprises so as to turn love into action to change the world. During the campaign, the Company advocated the concept of ethical consumption in various ways among its employees and encouraged them to support ethical consumption in daily life by choosing products produced and sold by the Social Enterprises. In addition, the Company proactively participated in activities including "Ethical Consumption Bazaar" and "Ethical Footprints" to improve its understanding of Social Enterprise and support the sustainable development of Social Enterprises, thus making greater contribution in facilitating the development of the community and Social Enterprises.

Deloitte.
德勤

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 53 to 125, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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.

Independent Auditor's Report

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 2014, and of its 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
26 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	**2014** **RMB'000**	2013 RMB'000
Revenue	8	**5,594,925**	5,585,206
Cost of sales		**(4,321,990)**	(4,199,809)
Gross profit		**1,272,935**	1,385,397
Other income	9	**35,845**	48,417
Government grants	10	**35,871**	27,238
Selling and distribution expenses		**(362,323)**	(356,350)
Administrative expenses		**(272,090)**	(269,234)
Other expenses and losses, net	11	**(86,425)**	(47,747)
Share of (loss) profit of a joint venture		**(122)**	2,212
Finance costs	12	**(48,941)**	(64,277)
Profit before tax		**574,750**	725,656
Income tax expense	13	**(111,891)**	(149,755)
Profit for the year	14	**462,859**	575,901
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Gain on revaluation of available-for-sale investment	22	**66,600**	–
Deferred tax liability on recognition on fair value gain on available-for-sale investment	23	**(9,990)**	–
Other comprehensive income for the year net of tax		**56,610**	–
Total comprehensive income for the year net of tax		**519,469**	575,901
Profit for the year attributable to:			
Owners of the Company		**327,788**	414,810
Non-controlling interests		**135,071**	161,091
		462,859	575,901
Total comprehensive income for the year attributable to:			
Owners of the Company		**367,155**	414,810
Non-controlling interests		**152,314**	161,091
		519,469	575,901
Earnings per share	17		
Basic (RMB fen)		**21.51**	27.20

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,679,700**	3,713,786
Prepaid lease payments	19	**233,215**	239,027
Investment properties	20	**130,240**	133,300
Interest in a joint venture	21	**250,810**	250,932
Available-for-sale investment	22	**201,000**	–
Deferred tax assets	23	**10,493**	15,947
Prepayment	24	**11,583**	10,000
Deposits paid for purchase of property, plant and equipment		**–**	51,847
		4,517,041	4,414,839
CURRENT ASSETS			
Prepaid lease payments	19	**5,812**	5,812
Inventories	25	**544,497**	364,784
Trade and other receivables	26	**2,026,333**	1,982,966
Bill receivables	26	**2,493,087**	2,567,751
Amount due from a joint venture	29	**–**	3,650
Pledged bank deposits	27	**8,000**	34,000
Bank balances and cash	27	**530,910**	414,222
		5,608,639	5,373,185
CURRENT LIABILITIES			
Trade and other payables	28	**1,813,239**	1,434,003
Bill payables	28	**418,573**	496,893
Amount due to a related company	30	**4,257**	1,658
Tax payable		**45,736**	80,586
Bank borrowings - due within one year	31	**815,690**	1,016,077
Government grants	32	**10,000**	10,000
		3,107,495	3,039,217
NET CURRENT ASSETS		**2,501,144**	2,333,968
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,018,185**	6,748,807
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**53,505**	50,685
NET ASSETS		**6,964,680**	6,698,122

Consolidated Statement of Financial Position

At 31 December 2014

	NOTE	**2014** **RMB'000**	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	33	**150,251**	150,999
Reserves		**5,030,489**	4,874,497
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,180,740**	5,025,496
NON-CONTROLLING INTERESTS		**1,783,940**	1,672,626
TOTAL EQUITY		**6,964,680**	6,698,122

The consolidated financial statements on pages 53 to 125 were approved and authorised for issue by the Board of Directors on 26 March 2015 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 2014

	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*	Awarded shares compensation reserve *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2013	150,999	1,180,681	283,352	(130,150)	494,570	–	2,062	2,827,142	(17,948)	8,276	4,798,984	1,511,535	6,310,519
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	414,810	–	–	414,810	161,091	575,901
Appropriations	–	–	–	–	57,941	–	–	(57,941)	–	–	–	–	–
Dividend recognised as distribution *(note 16)*	–	(185,455)	–	–	–	–	–	–	–	–	(185,455)	–	(185,455)
Purchase of shares for the purpose of share award scheme	–	–	–	–	–	–	–	–	(22,441)	–	(22,441)	–	(22,441)
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	9,387	(9,387)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	19,598	19,598	–	19,598
At 31 December 2013	150,999	995,226	283,352	(130,150)	552,511	–	2,062	3,184,011	(31,002)	18,487	5,025,496	1,672,626	6,698,122
Profit for the year	–	–	–	–	–	–	–	327,788	–	–	327,788	135,071	462,859
Other comprehensive income for the year	–	–	–	–	–	39,367	–	–	–	–	39,367	17,243	56,610
Total comprehensive income for the year	–	–	–	–	–	39,367	–	327,788	–	–	367,155	152,314	519,469
Appropriations	–	–	–	–	46,307	–	–	(46,307)	–	–	–	–	–
Dividend recognised as distribution *(note 16)*	–	(191,812)	–	–	–	–	–	–	–	–	(191,812)	–	(191,812)
Dividend recognised as distribution to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(41,000)	(41,000)
Purchase of shares for the purpose of share award scheme	–	–	–	–	–	–	–	–	(10,920)	–	(10,920)	–	(10,920)
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	9,494	(9,494)	–	–	–
Repurchase of ordinary shares	(748)	(19,714)	–	–	–	–	748	(748)	–	–	(20,462)	–	(20,462)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	11,283	11,283	–	11,283
At 31 December 2014	**150,251**	**783,700**	**283,352**	**(130,150)**	**598,818**	**39,367**	**2,810**	**3,464,744**	**(32,428)**	**20,276**	**5,180,740**	**1,783,940**	**6,964,680**

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 2014

	2014	2013
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**574,750**	725,656
Adjustments for:		
Depreciation and amortisation	**442,554**	443,218
Interest income	**(5,419)**	(5,850)
Loss (gain) on fair value change on investment properties	**3,060**	(3,100)
Share of loss (profit) of a joint venture	**122**	(2,212)
Loss on disposal of property, plant and equipment	**12,449**	3,998
Impairment loss recognised on trade and other receivables	**10,424**	7,847
Write-off of trade receivables	**1,888**	335
Recovery of doubtful debts	**(7,857)**	(16,028)
Recognition of equity-settled share-based payment	**11,283**	19,598
Finance costs	**48,941**	64,277
Operating cash flows before movements in working capital	**1,092,195**	1,237,739
(Increase) decrease in inventories	**(179,713)**	68,519
Increase in trade and other receivables	**(47,822)**	(332,921)
Increase in bill receivables	**(101,413)**	(435,290)
(Decrease) increase in bill payables	**(78,320)**	227,630
(Increase) decrease in prepayment	**(1,583)**	3,000
Increase in trade and other payables	**368,630**	31,282
Increase (decrease) in amount due to a related company	**2,599**	(346)
Purchase of shares for the purpose of share-award scheme	**(10,920)**	(22,441)
Cash generated from operations	**1,043,653**	777,172
Income tax paid	**(148,457)**	(123,914)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**895,196**	653,258
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(355,305)**	(313,002)
Purchase of available-for-sale investment	**(134,400)**	–
Placement of pledged bank deposits	**(85,500)**	(157,776)
Deposits paid for purchase of property, plant and equipment	**–**	(51,847)
Withdrawal of pledged bank deposits	**111,500**	181,776
Proceeds on disposal of property, plant and equipment	**2,653**	1,827
Interest received	**5,419**	5,850
Repayment from (advance to) a joint venture	**3,650**	(3,650)
NET CASH USED IN INVESTING ACTIVITIES	**(451,983)**	(336,822)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Repayment of bank loans	**(1,220,000)**	(1,948,550)
Dividend paid	**(191,812)**	(185,455)
Dividend paid to non-controlling shareholders	**(41,000)**	–
Interest paid	**(48,941)**	(64,277)
Payment for repurchase of ordinary shares	**(20,462)**	–
New bank loans raised	**1,195,690**	1,774,627
NET CASH USED IN FINANCING ACTIVITIES	**(326,525)**	(423,655)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**116,688**	(107,219)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**414,222**	521,441
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**530,910**	414,222

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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")

The Group has applied the following amendments to IFRSs and the new Interpretation issued by the International Accounting Standard Board ("IASB") for the first time in the current year:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the amendments to IFRSs and the new Interpretation in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior year 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 IFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Early application is permitted.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

IFRS 9 FINANCIAL INSTRUMENTS – *CONTINUED*

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of IFRS 9 in the future may not have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

AMENDMENTS TO IFRS 11 ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

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

AMENDMENTS TO IAS 16 AND IAS 38 CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO IAS 27 EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.

- At cost
- In accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 *Consolidated Financial Statements* and to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

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

ANNUAL IMPROVEMENTS TO IFRSs 2010-2012 CYCLE

The *Annual Improvements to IFRSs 2010-2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

ANNUAL IMPROVEMENTS TO IFRSs 2011-2013 CYCLE

The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and
(b) the transaction meets the definition of a business combination under IFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS TO IFRSs 2012-2014 CYCLE

The *Annual Improvements to IFRSs 2012-2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 *Interim Financial Reporting*.

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

ANNUAL IMPROVEMENTS TO IFRSs 2012-2014 CYCLE – *CONTINUED*

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

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 and financial instruments 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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

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

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 and its subsidiaries. Control is achieved where the Company:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

BASIS OF CONSOLIDATION – *CONTINUED*

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

INVESTMENTS IN JOINT VENTURES

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an a joint venture is 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 joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), 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 the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 joint venture. 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 of disposal) 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.

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 losses, 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 reviewed 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

INVESTMENT PROPERTIES

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

LEASING – *CONTINUED*

Leasehold land and building – Continued

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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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.

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 on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

GOVERNMENT GRANTS – *CONTINUED*

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 before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are 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 base 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 those 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 and interest in a joint arrangement, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

TAXATION – *CONTINUED*

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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 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 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 debt instrument 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 debt instrument, 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.

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, bill receivables, pledged bank deposits and bank balances and cash) 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 each 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

FINANCIAL INSTRUMENTS – *CONTINUED*

Financial assets – Continued

Impairment of financial assets – *Continued*

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.
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables that are assessed not to be impaired individually are, in addition, 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 recognised 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. 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 against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 instruments

Debt 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

FINANCIAL INSTRUMENTS – *CONTINUED*

Financial liabilities and equity instruments – Continued

Equity instruments

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

Financial liabilities

Financial liabilities (including bank borrowings, trade and other payables, bill payables and amount due to 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.

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

SHARE-BASED PAYMENT ARRANGEMENTS

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 under share award 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 under share award 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.

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, or otherwise they are allocated to the smallest group of 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 decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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. CRITICAL ACCOUNTING JUDGEMENTS AND 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICY

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policy and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios which are all located in the PRC and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has not recognised deferred taxes relating to land appreciation tax on changes in fair value of investment properties as the Group is not subject to land appreciation tax on use of its investment properties.

Classification of Shandong Xingda Steel Tyre Cord Co., Ltd ("Shandong Xingda") as a joint venture

Shandong Xingda is a limited company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Shandong Xingda is classified as a joint venture of the Group. See note 21 for details.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *CONTINUED*

KEY SOURCES OF ESTIMATION UNCERTAINTY – *CONTINUED*

Income taxes

As at 31 December 2014, a deferred tax asset of RMB10,493,000 (2013: RMB15,947,000) 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 2014, the carrying amount of trade receivable is RMB1,975,489,000, net of allowance for doubtful debts of RMB39,277,000 (31 December 2013: carrying amount of RMB1,943,059,000, net of allowance for doubtful debts of RMB71,799,000).

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 20 and 6c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

The Group's investment properties as at 31 December 2014 are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuer adopted investment approach by capitalising the current rent passing derived from the existing tenancy for any reversionary income potential of the properties and, where appropriate, by direct comparison method referencing to the sales of properties with the benefit of vacant possession taking into account the comparable evidence as available in the relevant market.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *CONTINUED*

KEY SOURCES OF ESTIMATION UNCERTAINTY – *CONTINUED*

Fair value measurements and valuation processes – Continued

In relying on the valuation report, the management has exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in the assumptions due to market conditions, the fair value of the investment properties will change in the future. The carrying amount of investment properties whereby fair value can be measured reliably as at 31 December 2014 is RMB130,240,000 (2013: RMB133,300,000).

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 31 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

	2014	2013
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale investment	**201,000**	–
Loans and receivables at amortised cost (including cash and cash equivalents)	**5,007,486**	4,962,682
Financial liabilities		
Liabilities at amortised cost	**2,711,541**	2,630,128

6. FINANCIAL INSTRUMENTS – *CONTINUED*

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investment, bank balances and cash, pledged bank deposits, trade and other receivables, bill receivables, amount due from a joint venture, amount due to a related company, trade and other payables, bill 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 21.4% (2013: 21.2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst 5.4% (2013: 5.7%) of costs are denominated in currencies other than the functional currency of the group entity.

Certain trade and other receivables, bank balances and trade and other payables 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.

Foreign currency sensitivity

The following details the Group's sensitivity to a 4% (2013: 2%) increase and decrease in RMB against the relevant foreign currencies. 4% (2013: 2%) 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 4% (2013: 2%) 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 4% (2013: 2%) and all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately RMB16,209,000 (2013: RMB7,057,000), RMB136,760 (2013: RMB277,000) and RMB2,049,000 (2013: RMB1,403,000) respectively.

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the fact that the fluctuation of the exchange rates of USD and HKD against RMB is less significant in the current year, which is partially set off by the increases in USD denominated trade receivables and HKD denominated other receivable.

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.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Market risk – Continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 31 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 31 for details of these borrowings) and bank balances (see note 27 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 reduce 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 Hong Kong Interbank Offered Rate arising from the Group's Hong Kong dollar denominated borrowing.

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 2014.

A 75 basis points (2013: 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 (2013: 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 RMB118,000 (2013: decrease/increase by approximately RMB3,675,000).

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

Credit risk

As at 31 December 2014, 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.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk – Continued

In order to minimise the credit risk, management of the Group has delegated a team responsible 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 82% (31 December 2013: 84%) of the total trade receivable as at 31 December 2014. The Group does not have other significant concentration of credit risk as the trade and other receivables consist of a large number of debtors.

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 2014, the Group has available unutilised banking facilities of approximately RMB2,622,760,000 (2013: RMB2,520,000,000).

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.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Liquidity risk – Continued

Liquidity risk tables – *Continued*

At 31 December 2014

	Weighted average interest rate %	Less than 30 days *RMB'000*	31 – 60 days *RMB'000*	61 – 90 days *RMB'000*	Over 91 days *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Trade and other payables	–	1,473,021	–	–	–	1,473,021	1,473,021
Bill payables	–	76,560	59,380	59,960	222,673	418,573	418,573
Amount due to a related company	–	4,257	–	–	–	4,257	4,257
Bank borrowings	5.60	–	–	–	843,422	843,422	815,690
		1,553,838	59,380	59,960	1,066,095	2,739,273	2,711,541

At 31 December 2013

	Weighted average interest rate %	Less than 30 days *RMB'000*	31 – 60 days *RMB'000*	61 – 90 days *RMB'000*	Over 91 days *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Trade and other payables	–	1,115,500	–	–	–	1,115,500	1,115,500
Bill payables	–	66,358	48,780	74,822	306,933	496,893	496,893
Amount due to a related company	–	1,658	–	–	–	1,658	1,658
Bank borrowings	5.61	–	–	73,137	965,764	1,038,901	1,016,077
		1,183,516	48,780	147,959	1,272,697	2,652,952	2,630,128

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.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

C. FAIR VALUE MEASUREMENTS

This note provides information about how the Group determines fair value of financial asset.

(i) *Fair value of the Group's financial asset that is measured at fair value on a recurring basis*

The Group's financial asset is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique and input used).

Financial asset	**Fair value as at 31 December 2014**	**Fair value hierarchy**	**Valuation technique and key input**
Listed available-for-sale investment (AFS) *(see note 22)*	Listed equity securities in Shenzhen Stock Exchange: • Tyre industry – RMB201,000,000	Level 1	Quoted bid prices in an active market.

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.

REVENUE FROM MAJOR PRODUCTS

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

	Year ended	
	2014	2013
	RMB'000	*RMB'000*
Radial Tire Cords		
– For Trucks	**3,428,443**	3,501,775
– For Passenger Cars	**1,699,786**	1,576,374
Bead Wires	**399,032**	396,478
Sawing Wires	**67,664**	110,579
	5,594,925	5,585,206

7. SEGMENT INFORMATION – *CONTINUED*

GEOGRAPHICAL INFORMATION

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

	2014	2013
	RMB'000	*RMB'000*
The PRC (country of domicile)	**4,465,483**	4,557,676
Korea	**216,782**	197,159
India	**209,448**	174,793
United States of America	**170,848**	176,923
Germany	**85,347**	87,775
Others	**447,017**	390,880
	5,594,925	5,585,206

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

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2014	2013
	RMB'000	*RMB'000*
Customer 1	**653,418**	632,972

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

	2014	2013
	RMB'000	*RMB'000*
Sales of scrap materials	**19,487**	27,292
Interest income earned on bank balances and bank deposits	**5,419**	5,850
Cash discounts received on early settlement of trade payables	**18**	3,050
Gain on fair value change of investment properties	**–**	3,100
Sundry income	**10,921**	9,125
	35,845	48,417

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 2014 and 2013.

For the year ended 31 December 2014, for government grants received in the current year where no specific conditions were attached, amounting to approximately RMB35,871,000 (2013: RMB27,238,000) was recognised in the consolidated statement of profit or loss and other comprehensive income when the grants were received.

11. OTHER EXPENSES AND LOSSES, NET

	2014	2013
	RMB'000	*RMB'000*
Loss on fair value change of investment properties	**3,060**	–
Loss on disposal of property, plant and equipment	**12,449**	3,998
Research and development expenditure	**57,078**	39,229
Impairment loss recognised on trade and other receivables	**10,424**	7,847
Write-off of trade receivables	**1,888**	335
Recovery of doubtful debts	**(7,857)**	(16,028)
Exchange loss, net	**9,383**	12,366
	86,425	47,747

12. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**48,941**	59,530
Bill receivables discounted	**–**	4,747
	48,941	64,277

13. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
The charge comprises:		
Current tax	**118,010**	146,107
(Over)under provision in prior years	**(4,403)**	1,409
Deferred taxation *(note 23)*	**(1,716)**	2,239
	111,891	149,755

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.

Jiangsu Xingda renewed its High-tech Enterprise Certificate which expired in 2011 with the relevant authorities and received the High-tech Enterprise Certificate on 22 April 2013. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2013, 2014 and 2015. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax for the years ended 31 December 2014 and 2013.

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.

13. INCOME TAX EXPENSE – *CONTINUED*

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

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**574,750**	725,656
Tax at the PRC tax rate of 25%	**143,688**	181,414
Tax effect of expenses not deductible for tax purposes	**16,860**	18,065
Tax effect of income not taxable for tax purposes	**(14,948)**	(6,642)
Tax effect of preferential tax rate	**(22,817)**	(35,324)
Tax effect of share of loss (profit) of a joint venture	**30**	(553)
(Over)under provision in prior year	**(4,403)**	1,409
Withholding tax *(Note)*	**(6,405)**	(9,226)
Others	**(114)**	612
Tax charge for the year	**111,891**	149,755

Note: Under the EIT 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%. In 2014, one of the PRC subsidiaries, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cords") has distributed previously proposed dividends of RMB111,000,000 (2013: RMB178,000,000) and proposed additional dividends on 2014's earnings to its immediate holding company, Faith Maple International Ltd.("Faith Maple") which was not accredited as a PRC tax resident as at 31 December 2014 and up to the date of these consolidated financial statements were authorised for issuance.

As a result, a deferred tax credit of approximately RMB6,405,000 (2013: provision of RMB9,226,000) was provided in these consolidated financial statements. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries other than Xingda Special Cords amounting to RMB2,165 million (2013: RMB1,669 million), as the Group is able to control the timing of the reversal of the temporary differences of these PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

14. PROFIT FOR THE YEAR

	2014 RMB'000	2013 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	**480,348**	442,161
Retirement benefits scheme contributions *(note 37)*	**34,452**	28,216
Share-based payments	**11,283**	19,598
Total staff costs	**526,083**	489,975
Amortisation of prepaid lease payments	**5,812**	5,812
Auditor's remuneration	**1,815**	1,783
Cost of inventories recognised as an expense	**4,321,990**	4,199,809
Depreciation for property, plant and equipment	**436,742**	437,406
Gross rental income from investment properties	**(6,394)**	(4,320)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**370**	275
	(6,024)	(4,045)

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

DIRECTORS

The emoluments paid or payable to the 8 (2013: 8) directors were as follows:

	2014 RMB'000	2013 RMB'000
Fees	**1,224**	1,220
Salaries and other allowances	**13,325**	14,127
Bonus *(note)*	**19,985**	21,184
Retirement benefits scheme contributions	**77**	76
Share-based payments	**7,564**	12,748
	42,175	49,355

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

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

DIRECTORS – *CONTINUED*

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

Year ended 31 December 2014

	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	–	4,713	7,069	24	2,928	14,734
LIU Xiang	–	3,218	4,826	24	1,464	9,532
TAO Jinxiang	–	3,289	4,933	24	1,464	9,710
ZHANG Yuxiao	–	2,105	3,157	5	1,464	6,731
Non-executive Director						
WU Xiaohui	306	–	–	–	–	306
Independent Non-executive Directors						
William John SHARP	306	–	–	–	122	428
KOO Fook Sun, Louis	306	–	–	–	122	428
XU Chunhua	306	–	–	–	–	306
	1,224	13,325	19,985	77	7,564	42,175

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

DIRECTORS – *CONTINUED*

Year ended 31 December 2013

	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	–	4,914	7,368	24	4,935	17,241
LIU Xiang	–	3,419	5,126	24	2,467	11,036
TAO Jinxiang	–	3,489	5,233	24	2,467	11,213
ZHANG Yuxiao	–	2,305	3,457	4	2,467	8,233
Non-executive Director						
WU Xiaohui	305	–	–	–	–	305
Independent Non-executive Directors						
William John SHARP	305	–	–	–	206	511
KOO Fook Sun, Louis	305	–	–	–	206	511
XU Chunhua	305	–	–	–	–	305
	1,220	14,127	21,184	76	12,748	49,355

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

EMPLOYEES

Of the five individuals with the highest emoluments in the Group, there were four (2013: four) Directors whose emoluments are included in the disclosures above. The emoluments of the remaining one (2013: one) individual were as follows:

	2014	2013
	RMB'000	*RMB'000*
Salaries and other allowances	**1,989**	1,989
Bonus	**2,983**	2,983
Retirement benefit scheme contributions	**24**	24
Share-based payments	**1,174**	2,163
	6,170	7,159

None of the directors waived any emoluments for both years.

16. DIVIDEND

	2014	2013
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2013 – 16.0 HK cents per share (2013: final dividend paid in respect of the year ended 31 December 2012 – 15.0 HK cents per share)	**191,812**	185,455
Final dividend proposed, 13.0 HK cents (financial year ended 31 December 2013: 16.0 HK cents) per share	**154,862**	191,812

A final dividend for the year ended 31 December 2014 of 13.0 HK cents (2013: 16.0 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 2014 and the dividend paid for financial year ended 31 December 2013 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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**327,788**	414,810

	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,523,812**	1,524,777

There was no potential ordinary shares outstanding during the years ended 31 December 2014 and 2013.

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 2013	1,358,017	3,203	4,049,212	55,384	40,935	477,646	5,984,397
Additions	–	–	30,722	6,213	449	226,441	263,825
Reclassifications	158,504	–	131,587	26,714	–	(316,805)	–
Disposals	(1,354)	–	(49,970)	(57)	–	–	(51,381)
At 31 December 2013	1,515,167	3,203	4,161,551	88,254	41,384	387,282	6,196,841
Additions	–	–	51,985	5,729	951	359,093	417,758
Reclassifications	101,012	–	133,310	6,123	–	(240,445)	–
Disposals	–	–	(98,822)	(120)	–	–	(98,942)
At 31 December 2014	**1,616,179**	**3,203**	**4,248,024**	**99,986**	**42,335**	**505,930**	**6,515,657**
DEPRECIATION							
At 1 January 2013	316,463	440	1,712,009	30,926	31,367	–	2,091,205
Provided for the year	64,347	101	359,409	10,523	3,026	–	437,406
Eliminated on disposals	(772)	–	(44,730)	(54)	–	–	(45,556)
At 31 December 2013	380,038	541	2,026,688	41,395	34,393	–	2,483,055
Provided for the year	72,746	101	347,328	13,840	2,727	–	436,742
Eliminated on disposals	–	–	(83,726)	(114)	–	–	(83,840)
At 31 December 2014	**452,784**	**642**	**2,290,290**	**55,121**	**37,120**	**–**	**2,835,957**
CARRYING VALUES							
At 31 December 2014	**1,163,395**	**2,561**	**1,957,734**	**44,865**	**5,215**	**505,930**	**3,679,700**
At 31 December 2013	1,135,129	2,662	2,134,863	46,859	6,991	387,282	3,713,786

18. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Construction in progress as at 31 December 2014 represents factories and plant, machinery and equipment constructed for the Group's own use.

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 lease term 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.

19. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2013	247,651
Additions	3,000
Charge to profit or loss	(5,812)
At 31 December 2013	244,839
Charge to profit or loss	(5,812)
At 31 December 2014	**239,027**

19. PREPAID LEASE PAYMENTS – *CONTINUED*

	2014	2013
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current assets	**233,215**	239,027
Current assets	**5,812**	5,812
	239,027	244,839
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long lease	**11,193**	11,383
Medium-term lease	**227,834**	233,456
	239,027	244,839

Prepaid lease payments are located in the PRC and 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 2013	130,200
Increase in fair value recognised in profit or loss	3,100
At 31 December 2013	133,300
Decrease in fair value recognised in profit or loss	(3,060)
At 31 December 2014	**130,240**

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 2014 and 2013 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.

The fair value was determined based on the investment approach, where the rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties and, where appropriate, by referencing to the sales of properties with the benefit of vacant possession taking into account the comparable evidence as available in the relevant market. The rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Shanghai and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key inputs used in valuing the investment properties were the market yield (2014 and 2013: 5%) and rental. Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 3	Fair value as at 31 December 2014
	RMB'000	*RMB'000*
Office premises located in Shanghai	130,240	130,240

There were no transfers into or out of Level 3 during the year.

21. INTEREST IN A JOINT VENTURE

	2014	2013
	RMB'000	*RMB'000*
Cost of unlisted investment	**244,640**	244,640
Share of post-acquisition profit	**6,170**	6,292
	250,810	250,932

As at 31 December 2014, the Group had interests in a joint venture established 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 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 and the Company has not commenced operation

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 and the other 2 shareholders are entitled to nominate one director each. However, the agreement also stipulates that annual budgets and agreement entered into with any parties as well as the 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 joint venture of the Group.

Summarised financial information in respect of Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

21. INTEREST IN A JOINT VENTURE – *CONTINUED*

	2014	2013
	RMB'000	*RMB'000*
Current assets	**35,193**	202,565
Non-current assets	**484,690**	299,928
Current liabilities	**28,099**	10,470

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**18,487**	197,525

	Year ended	Year ended
	2014	2013
	RMB'000	*RMB'000*
Revenue	**2,664**	8,639
(Loss) profit and total comprehensive income for the year	**(239)**	4,337
Dividends received from Shangdong Xingda during the year	**–**	–

The above profit for the year include the following:

Depreciation and amortisation	**670**	147
Interest income	**1,486**	7,604

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shandong Xingda recognised in the consolidated financial statements:

	2014	2013
	RMB'000	*RMB'000*
Net assets of Shandong Xingda	**491,784**	492,023
Proportion of the Group's ownership interest in Shandong Xingda	**51%**	51%
Carrying amount of the Group's interest in Shandong Xingda	**250,810**	250,932

22. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2014
	RMB'000
Cost of investment of listed investment	134,400
Increase in fair value recognised in other comprehensive income	66,600
At 31 December 2014	201,000

At 31 December 2014, the Group holds approximately 3.87% of ordinary share capital of Guizhou Tyre Co., Ltd., a joint stock limited company established in the PRC principally engaged in the design, research and development, manufacture and sale of tires. This company is listed in Shenzhen Stock Exchange. The directors of the company do not believe that the Group is able to exercise significant influence over Guizhou Tyre Co., Ltd.

23. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	2013
	RMB'000	*RMB'000*
Deferred tax assets	**10,493**	15,947
Deferred tax liabilities	**(53,505)**	(50,685)
	(43,012)	(34,738)

23. DEFERRED TAXATION – *CONTINUED*

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

	Excess of accounting depreciation over tax depreciation	Allowance for doubtful debts	Fair value change on investment properties	Fair value change on available-for-sale investment	Undistributed profits of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	(14,375)	(12,262)	2,725	–	56,411	32,499
Charge (credit) to profit or loss	9,230	1,460	775	–	(9,226)	2,239
At 31 December 2013	(5,145)	(10,802)	3,500	–	47,185	34,738
Charge (credit) to profit or loss	555	4,899	(765)	–	(6,405)	(1,716)
Charge to other comprehensive income	–	–	–	9,990	–	9,990
At 31 December 2014	**(4,590)**	**(5,903)**	**2,735**	**9,990**	**40,780**	**43,012**

At the end of the reporting period, the Group has deductible temporary difference of approximately RMB70,841,000 (2013: RMB107,484,000) 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 RMB69,956,000 (2013: RMB106,316,000) of such deductible temporary difference. At the end of the reporting period, the Group has deductible temporary differences of RMB885,000 (2013: RMB1,168,000) for which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

24. PREPAYMENT

The amount represents prepayment of road maintenance and management fee of RMB7,000,000 (2013: RMB10,000,000) for a period of 3.33 (2013: 4.33) years and deposit paid for prepaid lease payment of RMB4,583,000 (2013: nil) to the Local Government in Xinghua Municipality.

25. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**280,658**	173,968
Work in progress	**64,099**	69,407
Finished goods	**199,740**	121,409
	544,497	364,784

26. TRADE AND OTHER RECEIVABLES AND BILL 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 which approximated the respective revenue recognition dates.

The Group accepts bills from various local customers as settlement when the trade receivables fall due. Before accepting the bills, the Group would confirm with the relevant banks on the validity of the bills. It is the Group's practice to utilise bills received to settle certain of its debts. The aged analysis of bill receivables is presented based on the invoice date as at the end of the reporting period which approximated the respective revenue recognition dates.

26. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES – *CONTINUED*

	2014	2013
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,417,477**	1,619,676
91 – 120 days	**215,274**	125,143
121 – 180 days	**214,540**	132,503
181 – 360 days	**128,198**	64,409
Over 360 days	**–**	1,328
	1,975,489	1,943,059
Advances to raw material suppliers	**–**	2,566
Prepayment for spools	**26,637**	16,320
Other receivables and prepayments	**24,327**	21,141
Less: Allowance for doubtful debts on other receivables	**(120)**	(120)
	50,844	39,907
	2,026,333	1,982,966
Bill receivables *(see Note (a))*		
0 – 90 days	**278,043**	277,485
91 – 180 days	**890,119**	1,115,427
181 – 360 days	**1,192,080**	1,127,077
Over 360 days	**132,845**	47,762
	2,493,087	2,567,751

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:

		Equivalent to		Equivalent to
	2014	***RMB***	2013	*RMB*
	'000	***'000***	*'000*	*'000*
USD	**50,107**	**306,605**	41,701	254,247
EUR	**6,751**	**50,335**	7,807	65,726

26. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES – *CONTINUED*

Before accepting any new customer, the Group would assess the credit quality of each potential customer and define 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:

	2014	2013
	RMB'000	*RMB'000*
Balance at 1 January	**71,799**	81,180
Impairment loss recognised on receivables	**10,424**	7,847
Amounts written off as uncollectible	**(35,089)**	(1,200)
Recovery of doubtful debts	**(7,857)**	(16,028)
Balance at 31 December	**39,277**	71,799

The Group reviews all trade receivables overdue more than 1 year for allowance for doubtful debt, amounting to approximately RMB21,561,000 as at 31 December 2014 (2013: RMB73,007,000) before provision of allowance for doubtful debts of RMB21,561,000 (2013: RMB71,679,000) because historical experience showed that receivables that are past due beyond 1 year generally have recoverability problems. The Group reviews 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.

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. More bills were used to settle the accounts receivables and the bills were guaranteed by banks. Credit risk on bill receivables is limited because the bills are guaranteed by reputable banks in the PRC. Accordingly, the directors believe that adequate allowance for doubtful debts has been made during the year.

26. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES – *CONTINUED*

Included in the Group's trade receivables are debtors with a carrying amount of RMB342,738,000 at 31 December 2014 (2013: RMB198,240,000) 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 196 days (2013: 193 days) at 31 December 2014. No other receivables are past due as at the reporting date.

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

	2014	2013
	RMB'000	*RMB'000*
121 – 180 days	**214,540**	132,503
181 – 360 days	**128,198**	64,409
Over 360 days	**–**	1,328
	342,738	198,240

Out of the balance of RMB342,738,000 (2013: RMB198,240,000) which are past due but not impaired as at 31 December 2014, an amount of approximately RMB178,319,000 (2013: RMB156,084,000) 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.

Note (a): TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2014 and 2013 that were transferred to suppliers by endorsing bills receivables on a full recourse basis. There is no restriction on the use of the bills. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables. The related liabilities are shown under trade payables, other payables and bank borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

26. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES – *CONTINUED*

Note (a): TRANSFERS OF FINANCIAL ASSETS – *CONTINUED*

As at 31 December 2014

	Bill receivables endorsed to suppliers with full recourse
	RMB'000
Carrying amount of transferred assets	**905,854**
Carrying amount of associated liabilities	
– Trade payables	**897,532**
– Payables for purchase of property, plant and equipment	**5,182**
– Other payables	**3,140**
Net position	**–**

As at 31 December 2013

	Bill Receivables discounted to banks with full recourse	Bill Receivables endorsed to suppliers with full recourse	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	176,077	665,181	841,258
Carrying amount of associated liabilities			
– Trade payables	–	(653,399)	(653,399)
– Payables for purchase of property, plant and equipment	–	(300)	(300)
– Other payables	–	(11,482)	(11,482)
– Bank borrowings	(176,077)	–	(176,077)
Net position	–	–	–

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group. The bank balances carry interest rates ranging from 0.01% to 2.80% (2013: 0.01% to 2.80%) per annum.

Pledged deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB8,000,000 (2013: RMB34,000,000) had been pledged to a bank to secure bank borrowing (2013: bill payables) of the Group and are therefore classified as current assets.

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:

	2014	**Equivalent to *RMB***	2013	Equivalent to *RMB*
	'000	***'000***	*'000*	*'000*
HKD	**8,094**	**6,385**	7,156	5,572
USD	**16,010**	**97,964**	16,370	99,805
EUR	**514**	**3,834**	525	4,420

28. TRADE AND OTHER PAYABLES AND BILL PAYABLES

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

	2014	2013
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**828,337**	806,926
91 – 180 days	**439,021**	101,787
181 – 360 days	**24,446**	35,123
Over 360 days	**2,695**	3,748
	1,294,499	947,584
Value-added tax payables and other tax payables	**43,014**	30,188
Accrued staff costs and pension	**202,309**	206,781
Payables for purchase of property, plant and equipment	**178,522**	167,916
Accrued interest expense	**1,393**	1,376
Accrued electricity charges	**53,322**	53,617
Others	**40,180**	26,541
	518,740	486,419
	1,813,239	1,434,003
Bill payables		
0 – 90 days	**76,607**	54,807
91 – 180 days	**144,210**	229,657
181 – 360 days	**167,584**	155,916
Over 360 days	**30,172**	56,513
	418,573	496,893

All Group's trade payables are denominated in the functional currency of the group entities.

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

29. AMOUNT DUE FROM A JOINT VENTURE

Amount represents advance to Shandong Xingda, which was non-trading in nature. It was unsecured, non-interest bearing and settled in 2014.

30. 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 38.

31. BANK BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Bank loans	**815,690**	1,016,077
Secured	**15,690**	176,077
Unsecured	**800,000**	840,000
	815,690	1,016,077

Included in bank borrowings as at 31 December 2013 was an amount of RMB176,077,000 relating to advance drawn on bill receivables discounted to banks.

Carrying amount of the bank loans are repayable within one year at end of the reporting period and are shown under current liabilities.

	2014	2013
	RMB'000	*RMB'000*
Bank borrowings comprise:		
Fixed-rate borrowings	**800,000**	526,077
Variable-rate borrowings	**15,690**	490,000
	815,690	1,016,077

The variable-rate borrowings which carried interest at 1.2% above 1-month Hong Kong and Interbank Offered Rate and rates determined by People's Bank of China.

31. BANK BORROWINGS – *CONTINUED*

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

	2014	2013
Effective interest rates:		
Fixed-rate borrowings	**5.32% to 5.70%**	1.89% to 5.70%
Variable-rate borrowings	**1.43%**	5.32% to 5.70%

During the year, the Group obtained new loans amounting to approximately RMB1,195,690,000 (2013: RMB1,774,627,000). The loans bear interest at market rates. The proceeds were used to finance daily working capital.

As at 31 December 2013, bank borrowings of RMB176,077,000 were secured by the Group's bill receivables.

As at 31 December 2014, no bank borrowings were secured by the Group's bill receivables.

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

	2014	2013
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year	**62,760**	1,210,000
Fixed rate		
– expiring within one year	**2,560,000**	1,310,000
	2,622,760	2,520,000

32. GOVERNMENT GRANTS

The amounts represent government grants received to be used mainly for a technological advancement project which is expected to be completed in 2015. 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.

33. SHARE CAPITAL

	Number of shares		Share capital	
	2014	2013	**2014**	2013
	'000	*'000*	***RMB'000***	*RMB'000*
Authorised:				
3 billion ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**301,410**	301,410
Issued and fully paid:				
At beginning of year	**1,524,777**	1,524,777	**150,999**	150,999
Repurchase of shares	**(9,490)**	–	**(748)**	–
At end of year	**1,515,287**	1,524,777	**150,251**	150,999

During the year ended 31 December 2014, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

	No. of ordinary shares at HK$0.1 each	**Price per share**		**Aggregate consideration paid**	**Aggregate consideration paid equivalent to**
		Highest	**Lowest**		
	'000	*HK$*	*HK$*	*HK$'000*	*RMB'000*
October 2014	1,205	2.50	2.39	2,939	2,316
November 2014	4,314	2.85	2.65	12,107	9,522
December 2014	3,971	2.80	2.67	10,932	8,624
				25,978	20,462

The above shares were cancelled subsequently after their repurchase. Save as disclosed above and apart from the Company's shares purchased under the share award scheme of the Company as mentioned in note 34 to the consolidated financial statements, neither the Company nor any of the Company's subsidiaries purchased,, sold or redeemed any of the Company's shares during the year ended 31 December 2014.

34. 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.

4,519,000 (2013: 10,481,000) shares have been purchased from the open market pursuant to the Scheme during the year. 3,329,000 (2013: 3,329,000) 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 2014**	**Vested during the year**	**Balance as at 31 December 2014**	**Vesting period**
Directors of the Group	5 September 2011	4.220	1,033,333	(1,033,333)	–	5 September2011 to 27 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	22 January 2013	3.480	668	(668)	–	22 January 2013 to 27 March2014
Directors of the Group	22 January 2013	3.480	1,033,333	(1,031,999)	1,334	22 January 2013 to 27 March 2014
Directors of the Group	22 January 2013	3.480	1,033,333	–	1,033,333	22 January 2013 to 31 March 2015
Directors of the Group	22 January 2013	3.480	2,066,667	–	2,066,667	22 January 2013 to 31 March 2016
Directors of the Group	22 January 2013	3.480	2,066,667	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Group	22 January 2013	3.480	2,066,666	–	2,066,666	22 January 2013 to 31 March 2018
Employees	5 September 2011	4.220	633,333	(633,333)	–	5 September 2011 to 27 March 2014
Employees	5 September 2011	4.220	633,333	–	633,333	5 September 2011 to 31 March 2015
Employees	22 January 2013	3.349	3,668	(3,668)	–	22 January 2013 to 27 March 2014
Employees	22 January 2013	2.931	633,333	(625,999)	7,334	22 January 2013 to 27 March 2014

34. SHARE-AWARD SCHEME – *CONTINUED*

Categories of awardees	Date of grant *(Note 1)*	Fair value per share *(Note 2)*	Number of awarded shares: Balance as at 1 January 2014	Vested during the year	Balance as at 31 December 2014	Vesting period
Employees	22 January 2013	2.727	633,333	–	633,333	22 January 2013 to 31 March 2015
Employees	22 January 2013	2.865	1,266,667	–	1,266,667	22 January 2013 to 31 March 2016
Employees	22 January 2013	2.752	1,266,667	–	1,266,667	22 January 2013 to 31 March 2017
Employees	22 January 2013	2.646	1,266,666	–	1,266,666	22 January 2013 to 31 March 2018
			16,671,000	(3,329,000)	13,342,000	

34. SHARE-AWARD SCHEME – *CONTINUED*

Categories of awardees	Date of grant *(Note 1)*	Fair value per share *(Note 2)*	Number of awarded shares: Balance as at 1 January 2013	Granted during the year	Vested during the year	Balance as at 31 December 2013	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	22 January 2013	3.480	–	1,033,334	(1,032,666)	668	22 January 2013 to 27 March 2013
Directors of the Group	22 January 2013	3.480	–	1,033,333	–	1,033,333	22 January 2013 to 31 March 2014
Directors of the Group	22 January 2013	3.480	–	1,033,333	–	1,033,333	22 January 2013 to 31 March 2015
Directors of the Group	22 January 2013	3.480	–	2,066,667	–	2,066,667	22 January 2013 to 31 March 2016
Directors of the Group	22 January 2013	3.480	–	2,066,667	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Group	22 January 2013	3.480	–	2,066,666	–	2,066,666	22 January 2013 to 31 March 2018
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	22 January 2013	3.349	–	633,334	(629,666)	3,668	22 January 2013 to 27 March 2013
Employees	22 January 2013	2.931	–	633,333	–	633,333	22 January 2013 to 31 March 2014
Employees	22 January 2013	2.727	–	633,333	–	633,333	22 January 2013 to 31 March 2015

34. 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 2013	Granted during the year	Vested during the year	Balance as at 31 December 2013	Vesting period
Employees	22 January 2013	2.865	–	1,266,667	–	1,266,667	22 January 2013 to 31 March 2016
Employees	22 January 2013	2.752	–	1,266,667	–	1,266,667	22 January 2013 to 31 March 2017
Employees	22 January 2013	2.646	–	1,266,666	–	1,266,666	22 January 2013 to 31 March 2018
			5,000,000	15,000,000	(3,329,000)	16,671,000	

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 Scheme.

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

The awarded shares granted in 2011 would be vested in tranches of approximately 1,666,666 shares annually over a period of 3 years from 2013 to 2015.

The awarded shares granted in 2013 would be vested over a period of 6 years from 2013 to 2018. In the first 3 years, the shares would be vested in tranches of approximately 1,666,666 shares annually while in the latter 3 years, the shares would be vested in tranches of approximately 3,333,333 shares annually.

The Group recognised the total expenses of approximately RMB11,283,000 for the year ended 31 December 2014 (2013: RMB19,598,000) in relation to shares granted under the Scheme by the Company.

35. OPERATING LEASES

THE GROUP AS LESSEE

	2014	2013
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases for premises during the year	**337**	792

At 31 December 2014 and 2013, the Group had no commitments under non-cancellable operating leases.

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

THE GROUP AS LESSOR

Property rental income earned during the year was RMB6,394,000 (2013: RMB4,320,000). The properties are expected to generate rental yields of 4.91% (2013: 3.24%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 31 December 2014, the Group had contracted with tenants for the following future minimum lease payments:

	2014	2013
	RMB'000	*RMB'000*
Within one year	**6,526**	270
In the second to fifth year inclusive	**16,321**	–
	22,847	270

36. CAPITAL COMMITMENTS

	2014	2013
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**89,283**	53,323

In addition to the above, the Group's share of the capital commitments of its joint venture is as follows:

	2014	2013
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**54,195**	65,132

37. 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 20.0% (2013: 20.0%) 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 RMB34,452,000 (2013: RMB28,216,000) for the year ended 31 December 2014.

38. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	*Notes*	**2014** **RMB'000**	2013 RMB'000
Xingda Xiu Yuan	Provision of hotel and catering services	*(a)*	**4,869**	3,735

Note:

(a) Xingda Xiu Yuan is a limited company whose legal representative and general manager 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 54 and notes 29 and 30 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:

	2014 **RMB'000**	2013 RMB'000
Short-term benefits	**48,074**	49,672
Post-employment benefits	**132**	130
Share-based payments	**9,820**	17,031
	58,026	66,833

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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Details of the Company's subsidiaries as at 31 December 2014 and 2013 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
Directly held by the Company				
Faith Maple International Ltd.	The British Virgin Islands	USD14,083	100%	Investment holding
Indirectly held by the Company				
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%	Trading of radial tire cords and bead wires and commercial property investments
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

None of the subsidiaries had any loan capital and issued any debt securities subsisting at the end of the year or at any time during the year.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *CONTINUED*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests. The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2014	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jiangsu Xingda Steel Tyre Cord Co., Ltd. 江蘇興達鋼簾線股份有限公司	PRC	**30.46%**	30.46%	**133,648**	158,155	**1,776,559**	1,642,911
Individually immaterial subsidiaries with non-controlling interests						**7,381**	29,715
						1,783,940	1,672,626

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *CONTINUED*

Jiangsu Xingda Steel Cord Co., Ltd.

	2014	2013
	RMB'000	*RMB'000*
Current assets	**5,483,073**	5,208,443
Non-current assets	**3,894,846**	3,798,890
Current liabilities	**(3,668,987)**	(3,613,667)
Equity attributable to owners of the Company	**(3,932,373)**	(3,750,755)
Non-controlling interests	**(1,776,559)**	(1,642,911)

	Year ended	Year ended
	2014	2013
	RMB'000	RMB'000
Revenue	**6,322,883**	6,354,247
Expenses	**(5,884,118)**	(5,835,025)
Profit for the year	**438,765**	519,222
Profit and total comprehensive income attributable to owners of the Company	**305,117**	361,067
Profit and total comprehensive income attributable to the non-controlling interests	**133,648**	158,155
Profit and total comprehensive income for the year	**438,765**	519,222
Net cash inflow from operating activities	**801,800**	485,192
Net cash outflow from investing activities	**(461,881)**	(283,461)
Net cash outflow from financing activities	**(212,441)**	(238,200)
Net cash inflow (outflow)	**127,478**	(36,469)

40. SUBSEQUENT EVENT

Pursuant to the revised shareholders' agreement and articles of association of Shandong Xingda dated 24 January 2015 entered into between Faith Maple and the other two shareholders of Shandong Xingda, they stipulate that major operating decisions, including approvals of annual budgets and agreement entered into with any parties as well as the related parties of the shareholders with an amount equal to or more than RMB5,000,000, shall be approved by a simple majority of Shandong Xingda's board of directors. According to the composition of Shandong Xingda's board, Faith Maple is entitled to nominate 3 out of 5 directors and the other 2 shareholders are entitled to nominate one director each. Accompanied with the unchanged 51% shareholding interest in Shandong Xingda, Faith Maple has obtained the control of Shandong Xingda after the amendment of shareholders' agreement and articles of association of Shandong Xingda. Accordingly, Shandong Xingda has been recognised as a subsidiary of the Company with effective from 24 January 2015.

41. 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:

	2014	2013
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**405,976**	371,523
Amount due from a subsidiary	**612,255**	623,752
	1,018,231	995,275
CURRENT ASSETS		
Other receivables	**92**	9,321
Bank balances and cash	**6,167**	5,483
	6,259	14,804
CURRENT LIABILITIES		
Other payables	**5,210**	4,070
Bank borrowings	**15,690**	–
	20,900	4,070
NET CURRENT (LIABILITIES) ASSETS	**(14,641)**	10,734
NET ASSETS	**1,003,590**	1,006,009
CAPITAL AND RESERVES		
Share capital *(note 33)*	**150,251**	150,999
Reserves	**853,339**	855,010
TOTAL EQUITY	**1,003,590**	1,006,009

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *CONTINUED*

Movement in reserves

	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Accumulated losses	Shares held under share-award scheme	Awarded shares compensation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	150,999	1,180,681	266,960	2,062	(541,545)	(17,948)	8,276	1,049,485
Profit and total comprehensive income for the year	–	–	–	–	144,822	–	–	144,822
Dividend recognised as distribution *(note 16)*	–	(185,455)	–	–	–	–	–	(185,455)
Purchase of shares for the purpose of share-award scheme	–	–	–	–	–	(22,441)	–	(22,441)
Shares vested under the share-award scheme	–	–	–	–	–	9,387	(9,387)	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	19,598	19,598
At 31 December 2013	150,999	995,226	266,960	2,062	(396,723)	(31,002)	18,487	1,006,009
Profit and total comprehensive income for the year	–	–	–	–	209,492	–	–	209,492
Dividend recognised as distribution *(note 16)*	–	(191,812)	–	–	–	–	–	(191,812)
Purchase of shares for the purpose of share-award scheme	–	–	–	–	–	(10,920)	–	(10,920)
Shares vested under the share-award scheme	–	–	–	–	–	9,494	(9,494)	–
Repurchase of ordinary shares	(748)	(19,714)	–	748	(748)	–	–	(20,462)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	11,283	11,283
At 31 December 2014	**150,251**	**783,700**	**266,960**	**2,810**	**(187,979)**	**(32,428)**	**20,276**	**1,003,590**

Financial Summary

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	5,430,156	5,551,400	5,246,909	5,585,206	**5,594,925**
Cost of sales	(3,794,566)	(4,252,930)	(4,176,812)	(4,199,809)	**(4,321,990)**
Gross profit	1,635,590	1,298,470	1,070,097	1,385,397	**1,272,935**
Other income	74,235	80,347	76,914	48,417	**35,845**
Government grants	32,451	63,954	17,945	27,238	**35,871**
Selling and distribution expenses	(271,670)	(341,047)	(356,738)	(356,350)	**(362,323)**
Administrative expenses	(240,728)	(231,472)	(223,333)	(269,234)	**(272,090)**
Other expenses and losses, net	(76,851)	(81,755)	(85,661)	(47,747)	**(86,425)**
Share of (loss) profit of a jointly venture	–	(1,876)	5,956	2,212	**(122)**
Finance costs	(58,762)	(95,065)	(111,375)	(64,277)	**(48,941)**
Gain on disposal of available-for-sale investments	186,340	–	–	–	**–**
Profit before tax	1,280,605	691,556	393,805	725,656	**574,750**
Income tax expense	(225,152)	(128,901)	(134,429)	(149,755)	**(111,891)**
Profit for the year	1,055,453	562,655	259,376	575,901	**462,859**
Profit attributable to:					
Owners of the Company	791,959	418,118	188,786	414,810	**327,788**
Non-controlling interests	263,494	144,537	70,590	161,091	**135,071**
	1,055,453	562,655	259,376	575,901	**462,859**
Dividend attributable to:					
Owners of the Company	122,122	194,180	247,227	185,455	**191,812**
Earnings per share					
Basic (RMB fen)	55.49	27.42	12.38	27.20	**21.51**
Diluted (RMB fen)	55.49	N/A	N/A	N/A	**N/A**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	8,520,008	10,045,790	9,363,207	9,788,024	**10,125,680**
Total liabilities	(2,589,945)	(3,755,824)	(3,052,688)	(3,089,902)	**(3,161,000)**
	5,930,063	6,289,966	6,310,519	6,698,122	**6,964,680**
Equity attributable to owners of the Company	4,633,655	4,849,021	4,798,984	5,025,496	**5,180,740**
Non-controlling interests	1,296,408	1,440,945	1,511,535	1,672,626	**1,783,940**
	5,930,063	6,289,966	6,310,519	6,698,122	**6,964,680**