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XINGDA INTERNATIONAL HOLDINGS LIMITED

興達國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)

ANNUAL REPORT **2015**

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 *(Vice Chairman)*
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

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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:

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

Hong Kong Branch:

Boardroom Share Registrars (HK) Limited
31/F., 148 Electric Road
North Point
Hong Kong

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	2015	2014	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**4,736.9**	5,594.9	–15.3%
Gross profit	**850.2**	1,272.9	–33.2%
EBITDA(1)	**810.0**	1,066.2	–24.0%
Profit for the year	**239.7**	462.9	–48.2%
Profit attributable to owners of the Company	**173.8**	327.8	–47.0%
Earnings per share – basic (RMB fen)	**11.57**	21.51	–46.2%

	2015	2014	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**9,484.3**	10,125.7	–6.3%
Total liabilities	**2,321.1**	3,161.0	–26.6%
Net assets	**7,163.2**	6,964.7	+2.9%
Equity attributable to owners of the Company	**5,124.0**	5,180.7	–1.1%

	2015	2014
KEY RATIOS		
Gross profit margin(2)	**17.9%**	22.8%
EBITDA margin(3)	**17.1%**	19.1%
Return on equity(4)	**3.4%**	6.3%
Current ratio(5)	**2.22**	1.80
Gearing ratio(6)	**5.4%**	8.1%
Net debts to equity ratio(7)	**Net cash**	5.5%

Notes:

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

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

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

(5) Current assets divided by current liabilities.

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") for the year ended 31 December 2015.

Due to China's sluggish economy and intense competition within the industry, the Group's revenue declined to RMB4,737 million during the year under review, representing a year-on-year decrease of 15.3%. Downward pressure on the price of radial tire cords dragged down gross profit by 33.2% to RMB850 million, while gross profit margin fell 4.9 percentage points to 17.9%. Taking into account a gain of approximately RMB 131,644,000 resulting from the disposal of 30,000,000 A shares of Guizhou Tyre Co., Ltd. ("Guizhou Tyre") (stock code: 000589.SZ) by Jiangsu Xingda Steel Type Cord Co., Ltd. ("Jiangsu Xingda"), a subsidiary of the Company, profit attributable to owners of the Company decreased by 47.0% to RMB 174 million when compared with 2014. Basic earnings per share reached RMB11.57 fen, 46.2% lower than the previous year.

The Board has proposed a final dividend of 10.0 HK cents or approximately RMB8.4 fen per share for the year ended 31 December 2015 (2014: 13.0 HK cents or approximately RMB10.3 fen per share).

In 2015, China's economy began to stagnate. The secondary sector was weak while economic restructuring continued. The property market also entered the critical stage of destocking. These factors created unfavorable conditions for the radial tire cord industry. However, PRC government-driven infrastructure development during the year helped to rebalance demand for the Group's products. Despite the varied levels of economic development among different countries, Xingda managed to accommodate shifting market trends. This was achieved by adjusting the Group's global sales strategy to meet the stronger demand for radial tire cords in overseas automobile markets, which led to a moderate decrease in overall sales volume of all products by 2.0% during the year.

As the economic infrastructure of China underwent a thorough overhaul in 2015, the entire industry was inevitably affected. Under such circumstances, Xingda sought to protect its solid financial position in order to convert obstacles into opportunities. During the year, the Group maintained a steady cash flow and a low gearing ratio. The Group also closely monitored its accounts in order to adapt to the ever-changing financial market.

On 21 December 2015, Jiangsu Xingda, a subsidiary of the Group, received a renewed High-tech Enterprise certificate, which entitled Jiangsu Xingda to enjoy a preferential tax rate of 15%. Not only does this demonstrate the strong research and development capabilities of Xingda, but it also allows the Group to maintain its advantages within this competitive industry.

From 1 January 2015 to the date of this report, the Group repurchased 27,792,000 shares at an average price of approximately HK$1.90 for a total consideration of approximately HK$52.8 million (after deducting related expenses). Besides, I purchased a total of 4,503,000 shares on the Stock Exchange of Hong Kong in January 2016. The shares buy back and increase in shareholding by myself reflects the Board's confidence in the solid financial position and long-term prospects of the Group.

In addition, Mr. William John SHARP, independent non-executive director of the Group, was appointed as the vice-chairman of the Board with effect from 1 January 2016 and was warmly welcomed by other Board members. Mr. SHARP has ample working experience and will be more actively involved in enhancing corporate governance and maintaining the stable development of the Group.

Looking ahead, the Group will remain prudent in its dealings in the immediate future. China's economy is expected to experience a challenging and lengthy adjustment phase. The Group will therefore remain vigilant and adopt measures to maintain its superiority in terms of product quality, customer relations, research and development capabilities, and sales strategies in order to persevere through adversity. In addition, the Group is committed to broaden the customers' base not only in China but also in the international market. In the long run, the national policy of "steady growth" will facilitate the restructuring of industry, leading to a constantly improving business environment. As a well-prepared first mover in the industry, Xingda will be poised to seize opportunities to reinvigorate the industry.

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

Liu Jinlan
Chairman
Shanghai, China, 22 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China's GDP grew by 6.9% in 2015. The country's weaker economic growth led to a weak demand on trucks as well as logistics services. According to the China Association of Automobile Manufacturers, the national production volume of trucks fell by 11.4% to approximately 2.83 million vehicles, while the production volume of passenger cars increased by 5.8% to about 21.08 million vehicles in 2015. This was mainly attributable to a policy launched by the Chinese government in late September last year to cut the sales tax of vehicles with engines under 1.6 litres by 50%, which stimulated the production and sale of such vehicles.

According to the China Rubber Industry Association, China's tire output increased by 0.18% to approximately 563 million units last year, of which approximately 518 million units were radial tires. The modest rise in radial tire production was the result of the Chinese government's efforts to promote the use of radial tires on passenger cars, heavy-duty trucks and light-duty trucks. In 2015, the radialization rate reached 92%, up from 90% in 2014.

BUSINESS REVIEW

Widespread volatility existed in global and domestic financial markets in 2015, particularly in the second half of the year. The resulting unfavourable sentiment together with the intense competition in the radial tire cord industry has caused the Group's total sales volume to decline by 2.0% to 580,800 tonnes. The sales volume of radial tire cords dropped by 2.5% to 501,100 tonnes, accounting for 86.3% of the Group's total sales volume (2014: 86.7%). However, the sales volume of bead wires and other wires increased by 1.3% to 79,700 tonnes, representing 13.7% of the Group's total sales volume (2014: 13.3%).

During the year, the sales volume of radial tire cords for trucks registered a decrease of 9.3% to 304,000 tonnes. This drop was mainly attributable to the weaker demand within the truck industry seen both in new orders and replacement demand as a result of China's slower economic growth. The sales volume of radial tire cord for passenger cars rose 10.4% to 197,100 tonnes, due to the Group's efforts in adjusting its global market strategies and developing the overseas passenger cars market, which has in turn increased the contribution of the overseas market to the sales of radial tire cords for passenger cars. Sales of radial tire cords for trucks and passenger cars represented 60.7% and 39.3% of the Group's total sales volume of radial tire cord products respectively (2014: 65.2% and 34.8%).

BUSINESS REVIEW – *CONTINUED*

Sales Volume	**2015**	2014	Change
	Tonnes	*Tonnes*	
Radial tire cords	**501,100**	513,900	-2.5%
– *For trucks*	***304,000***	*335,300*	*-9.3%*
– *For passenger cars*	***197,100***	*178,600*	*+10.4%*
Bead wires and other wires	**79,700**	78,700	+1.3%
Total	**580,800**	592,600	-2.0%

The slowdown in China's economic growth has caused the domestic sales volume of radial tire cords to drop by 7.0% to 385,100 tonnes (2014: 414,200 tonnes), representing 76.9% of the Group's total sales volume for this product (2014: 80.6%). Nonetheless, the Group's global business continued to show stable growth and maintained healthy momentum. Internationally, the pan-Asia Pacific region (excluding China) and North America markets remain the Group's key overseas markets. Stable growth is continued to be seen in overseas orders from countries such as India, Germany, Korea and the United States of America. The export sales volume of the Group's radial tire cords increased to 116,000 tonnes (2014: 99,700 tonnes), accounting for 23.1% of the Group's total sales volume of radial tire cords in 2015 (2014: 19.4%).

The Group's new Shandong plant commenced operation in the second quarter of 2015, boosting the Group's total annual production capacity of radial tire cords to 610,000 tonnes. The annual production capacity of its Jiangsu factory and phase one of the Shandong plant was 560,000 tonnes and 50,000 tonnes respectively. As for bead wires and other wires, the annual production capacity was 112,000 tonnes. During the year, the overall utilisation rate of the Group dropped to 80% (2014: 90%).

	2015 Production Capacity *(Tonnes)*	**2015 Utilization Rate**	2014 Production Capacity (Tonnes)	2014 Utilization Rate
Radial tire cords	**610,000**	**82%**	560,000	94%
Bead wires and other wires	**112,000**	**71%**	112,000	71%
Overall	**722,000**	**80%**	672,000	90%

As at the end of 2015, the Group offered a wide variety of products, including 238 types of radial tire cords, 83 types of bead wires and other wires.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

RMB in million	**2015**	**Proportion**	2014	Proportion	Change
Radial tire cords	**4,334.4**	**91%**	5,128.2	92%	-15.5%
– *For trucks*	***2,667.8***	***56%***	*3,428.4*	*61%*	*-22.2%*
– *For passenger cars*	***1,666.6***	***35%***	*1,699.8*	*31%*	*-2.0%*
Bead wires and other wires	**402.5**	**9%**	466.7	8%	-13.8%
Total	**4,736.9**	**100%**	5,594.9	100%	-15.3%

The Group's total revenue in 2015 decreased by 15.3% or RMB858.0 million to RMB4,736.9 million, mainly due to the decrease in average selling prices of the radial tire cords and lower sales of radial tire cords for trucks in China.

Gross profit and gross profit margin

Gross profit decreased by 33.2% or RMB422.7 million to RMB850.2 million in 2015 (2014: RMB1,272.9 million), mainly due to the Group's strategy to set a lower average selling price to cope with the competition of the industry. Hence, gross profit margin decreased 4.9 percentage points to 17.9% (2014: 22.8%).

Other income

Other income decreased by RMB13.3 million or 37.2% from RMB35.8 million in 2014 to RMB22.5 million for the year under review, due to the decrease in sales of scrap materials.

Government grants

Government grants for the year decreased by 16.4% from RMB35.9 million in 2014 to RMB30.0 million mainly due to the decrease in recurring subsidies from the local government.

Gain on disposal of available-for-sale investment

The gain on disposal of available-for-sale investment amounting to RMB131.6 million in 2015 represented a gain realized on selling the shares of Guizhou Tyre Co., Ltd. ("Guizhou Tyre") in April 2015 as mentioned below.

Selling and distribution expenses

In 2015, selling and distribution expenses increased by RMB14.1 million or 3.9% to RMB376.4 million (2014: RMB362.3 million), which was mainly caused by the higher shipping cost associated with higher export sales volume. The increase in selling and distribution expenses is partially offset by the decrease in incentive rewards payable to the sales team.

FINANCIAL REVIEW – *CONTINUED*

Administrative expenses

Administrative expenses increased by RMB8.8 million or 3.2% to RMB280.9 million in 2015. Such increase was mainly due to the inclusion of administrative expenses from a new subsidiary, Shandong Xingda Steel Tyre Cord Co., Ltd and an increase in local tax levies which had fully offset the drop in staff costs.

Other gain and losses, net

Other gains and losses, net decreased by RMB36.6 million or 42.4% from RMB86.4 million in 2014 to RMB49.8 million in 2015. The decrease was mainly attributable to the net exchange gain and gain on fair value change of investment properties recognized in this year accompanied with a drop in research and development expenditure which was partially offset by the increase in impairment loss recognised on trade and other receivables.

Finance costs

Finance costs dropped by RMB14.7 million or 30.1% to RMB34.2 million from RMB48.9 million in 2014. 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 RMB58.8 million to RMB53.1 million with an effective tax rate 18.1% (2014: 19.5%). 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 2015 decreased by RMB223.2 million or 48.2% from RMB462.9 million in 2014 to RMB239.7 million. If the net gain on disposal of available-for-sale investment from non-operating activities, deferred tax charges related to provision of withholding tax and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2015 have been RMB144.8 million, representing a decrease of RMB326.8 million or 69.3% when compared with the previous year.

FINANCIAL REVIEW – *CONTINUED*

Reconciliation of report profit and underlying profit

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	239,722	462,859
Net gain on disposal of available-for-sale investment from non-operating activities	(111,897)	–
Deferred tax charges related to the provision of withholding tax	3,200	3,585
Net exchange loss arising from non-operating activities	13,802	5,107
Underlying profit for the year	144,827	471,551
Underlying profit for the year attributable to:		
Owners of the Company	112,943	336,480
Non-controlling interests	31,884	135,071
	144,827	471,551

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 and proceeds from disposal of available-for-sale investment whereas the principal uses of cash were expansion of production capacity, payment of dividends, repayment of bank loans and payment for repurchase of ordinary shares.

Bank balances and cash including bank deposits of the Group increased by RMB202.4 million from RMB530.9 million as at 31 December 2014 to RMB733.3 million as at 31 December 2015. The increase was due to the cash generated from operating activities of RMB909.3 million exceeding the cash used in financing activities of RMB569.3 million and investment activities of RMB137.6 million.

Bank borrowings decreased by RMB300.7 million or 36.9% to RMB515.0 million as at 31 December 2015 from RMB815.7 million as at 31 December 2014. The bank borrowings carry interest at market rates from 1.05% to 5.60% (2014: 1.43% to 5.70%) and are repayable within one year from 31 December 2015.

The Group's current assets decreased by 9.8% to RMB5,060.5 million as at 31 December 2015 from RMB5,608.6 million as at 31 December 2014 and its current liabilities decreased by 26.6% from RMB3,107.5 million as at 31 December 2014 to RMB2,281.5 million as at 31 December 2015. The Group's current ratio, being defined as current assets over current liabilities, increased from 1.80 times as at 31 December 2014 to 2.22 times as at 31 December 2015. The increase was mainly caused by the decrease in trade and other payables and bank borrowings repayable within one year as well as an increase in bank balances and cash. The gearing ratio which is measured by total debts (bank borrowings) to total assets decreased from 8.1% as at 31 December 2014 to 5.4% as at 31 December 2015 mainly due to a decrease in bank borrowings repayable within one year.

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 2015.

Apart from certain bank and debtors' balances 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, the depreciation of Renminbi provided a favourable effect on the operation or liquidity of the Group. Accordingly, the Group did not enter into 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 2015, capital expenditure of the Group for property, plant and equipment amounted to RMB350.7 million (2014: RMB417.8 million).

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had made capital commitment of approximately RMB82.1 million (31 December 2014: RMB143.5 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 2015 and 31 December 2014.

PLEDGE OF ASSETS

As at 31 December 2015, the Group pledged bank deposits of RMB17.5 million to a bank to secure bank borrowings of the Group (31 December 2014: RMB8.0 million).

SIGNIFICANT INVESTMENTS

On 14 April 2015, Jiangsu Xingda, a subsidiary of the Company, disposed of 30,000,000 A shares of Guizhou Tyre to the Purchaser, an independent third party, for an aggregate consideration, after expenses, of approximately RMB266.0 million pursuant to an agreement entered into between Jiangsu Xingda and the Purchaser. Upon completion of the disposal, the Group no longer holds any shares in Guizhou Tyre.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

Other than the disposal of an investment as mentioned in the above paragraph headed "Significant Investments", the Group had no other significant acquisitions and disposals for the years ended 31 December 2015 and 31 December 2014 respectively.

HUMAN RESOURCES

As at 31 December 2015, the Group had approximately 6,400 (31 December 2014: approximately 6,500) full time employees. Total staff costs including directors' remuneration for the year ended 31 December 2015 was approximately RMB508.3 million (2014: approximately RMB526.1 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 its 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 2015, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB8.5 million (2014: RMB8.1 million).

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

In 2009, the Board 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.

HUMAN RESOURCES – *CONTINUED*

In 2010, 5,000,000 shares in the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares in the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares in the Company 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 shares in the Company were purchased by the trustee on the public market and were added to the "Third Batch Shares". As at 31 December 2015, the balance of the Third Batch Shares was 10,000,000 shares.

As at 31 December 2015, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. The next vesting of shares will be expected to defer by one year to 2017 and therefore all the Third Batch Shares are expected to be vested with selected employees in a three-year period from 2017 onwards.

PROSPECTS

The Group expects the global economy to remain unstable in the short term. Hence, the management will prudently formulate business strategies that are appropriate for this complex business environment. In the long term, slower economic growth will present an opportunity for China to conduct inventory adjustments, comprehensive supply-side reforms and expand demand. This will lay the foundation for China to enter the new normal of medium to high rate economic growth. The government is also taking steps to revive the economy by implementing major initiatives such as One Belt, One Road, Beijing-Tianjin-Hebei integration, and state-owned enterprise reforms. In addition, Public-Private Partnership (PPP) will accelerate infrastructure development, while relaxed financing constraints will stimulate investment in property and other assets. The aforementioned factors will add momentum to the recovery of the radial tire cord market in the long run.

On the industry front, the radial tire cord industry is expected to remain competitive. However, as more small and medium-sized players in this industry begin to shut down due to prohibitive operating costs, the downward spiral of radial tire cord prices is likely to stop. It is believed that a new industry landscape will emerge afterwards. Xingda will continue to leverage on its strong production capacity and abundant capital to overcome the tumultuous environment, minimize negative external impacts, and seize emerging opportunities once consolidation concludes. As obsolete production facilities are removed from the market, resource allocation and profit levels within the industry will improve accordingly. This may help Xingda increase its market share as well.

The Group will adopt measures that are suitable for market conditions, and timely adjustments will be made to reinforce existing advantages. With regards to production, the Group will place emphasis on enhancing the utilization rate of production facilities, as well as maintaining and optimizing product quality, in order to gain the recognition and trust of its current and potential customers. On the sales front, the Group will closely monitor market trends and adjust strategies and resource allocation of different products according to geographical areas and target customers. As for operations, the Group will impose stringent controls on capital expenditure, improve its financial position, and enhance operational efficiency to maximize gains for the Company. The management believes that Xingda will remain well-positioned to capture future opportunities through these positive and effective measures.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 66, 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 20 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 39, 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 Xiang has approximately 20 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 53, 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 20 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 46, 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 15 years of experience in the radial tire cord manufacturing industry.

NON-EXECUTIVE DIRECTOR

Ms. WU Xiaohui (鄔小蕙), aged 55, 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 30 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 59, 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 Winfull Group Holdings Limited (all of which are companies 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 74, has been an independent non-executive Director since August 2005. He has been appointed as the Vice Chairman of the Board with effect from 1 January 2016. Mr. Sharp is also a member of the audit committee of the Board and the chairman of the remuneration and management development Committee of the Board. Mr. Sharp is the president of Global Industrial Consulting, a consulting firm. He is also an independent director of China Zenix Auto International Limited, an NYSE-listed manufacturer of commercial vehicle wheels. Between 2012 and 2013, Mr. Sharp was an independent director of Acquity Group LLC, a leading eCommerce and digital marketing company which was 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 judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent director in another public listed company. 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 48 years of experience in the tire manufacturing industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS – *CONTINUED*

Ms. XU Chunhua (許春華), aged 72, 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 48 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 40, 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 16 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 the annual report and the consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of radial tire cords, bead wires and other 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. There were no significant changes to the Group's principal activities during the current year.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and comprehensive income on page 55 of the annual report.

A final dividend of 13.0 HK cents per share for the year ended 31 December 2014 was paid to the shareholders of the Company during the year ended 31 December 2015.

The Board has recommended the payment of a final dividend of 10.0 HK cents (approximately RMB8.4 fen) per share for the financial year ended 31 December 2015 to the shareholders whose names appear on the register of members of the Company on Friday, 3 June 2016. The final dividend will be payable on Thursday, 30 June 2016.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has complied with all the relevant laws and regulations in China and Hong Kong during the year ended 31 December 2015.

ENVIRONMENTAL POLICIIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2015 are set out in the section headed "2015 Environmental, Social and Governance Report" on pages 46 to 52 of this annual report.

PERMITTED INDEMNITY PROVISION

The Company's articles of association (the "Articles of Association") provides that every Director shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions.

During the year the Company has maintained Directors' liability insurance.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Friday, 20 May 2016, 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, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 17 May 2016.

The proposed final dividend for the year ended 31 December 2015 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 20 May 2016. The register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016, 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 Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 31 May 2016.

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 124 of this 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 ended 31 December 2015 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 amounting to approximately HKD1,087 million are intended to be applied for the following purposes:

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

Up to 31 December 2015, the Group has utilised approximately HKD690 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 2015	Balance of net proceeds as at 31 December 2015
	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	13,844	56,156
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	690,202	396,798

USE OF PROCEEDS – *CONTINUED*

The remaining amount of approximately HKD397 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 2015, all the net proceeds were utilised for enhancing the production facilities of a subsidiary invested by the Group and financing the working capital.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2015 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 2015 are set out in the consolidated statement of changes in equity on pages 58 and 59 of this annual report and note 42 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB817.4 million (2014: RMB779.8 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 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 2015 are set out in note 31 to the consolidated financial statements and the Management Discussion and Analysis Section of this annual report.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2015 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 *(Vice Chairman)*
Ms. XU Chunhua

Pursuant to Article 87 of the Articles of Association, Mr. Liu Xiang, Mr. Tao Jinxiang and Ms. Xu Chunhua 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.

DIRECTORS' SERVICE CONTRACTS – *CONTINUED*

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

Certain related party transactions were entered into by the Group during the year ended 31 December 2015, the details of which are set out in note 38 to the consolidated financial statements. Save as disclosed herein, no other related party transactions or transactions which constitute connected transactions under the Listing Rules were entered into by the Group during the year ended 31 December 2015.

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.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2015. There was also no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year ended 31 December 2015.

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 2015, 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 (Chapter 571 of the Laws of Hong Kong) (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 2015
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)*	573,891,000	38.581%
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)*	573,891,000	38.581%
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)*	573,891,000	38.581%
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)*	573,891,000	38.581%
Koo Fook Sun, Louis	Beneficial owner	150,000	0.010%
William John Sharp	Beneficial owner	150,000	0.010%
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 3,600,000 shares in his own name as at 31 December 2015. 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 2015, 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 1,800,000 shares in his own name as at 31 December 2015. 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 2015, 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 1,800,000 shares in his own name as at 31 December 2015. 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 2015, 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 800,000 shares in his own name as at 31 December 2015. 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 2015, 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.

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 2015
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 31 December 2015, 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 2015 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 2015, 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 2015
Great Trade Limited	Beneficial owner	238,348,000	16.02%
In-Plus Limited	Beneficial owner	135,064,000	9.08%
Perfect Sino Limited	Beneficial owner	111,229,000	7.48%
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)*	573,891,000	38.58%
E-Star Corporation	Beneficial owner *(note 2)*	106,649,400	7.17%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 2)*	106,649,400	7.17%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 2)*	106,649,400	7.17%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation *(note 2)*	106,649,400	7.17%
Lu Guangming George	Interests of controlled corporations *(note 3)*	83,187,600	5.59%

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

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 1,800,000 shares in his own name as at 31 December 2015. 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 2015, 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. 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 2015, 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.

3. 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 2015, 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 2015. 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.

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 2015 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 2015, the Company repurchased 27,792,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB42.4 million. Such shares have been cancelled up to the date of this annual report. Details of repurchases are as follows:

		Repurchasing price for each share		Aggregate consideration paid	
Month of repurchase	Number of ordinary shares repurchased	Highest HK$	Lowest HK$	HK$ Million	Equivalent to RMB Million
January 2015	5,220,000	2.70	2.49	13.6	10.8
July 2015	9,202,000	2.05	1.65	17.9	14.2
August 2015	2,239,000	1.60	1.51	3.5	2.9
September 2015	10,360,000	1.65	1.49	16.5	13.5
October 2015	771,000	1.67	1.58	1.3	1.0
Total	27,792,000			52.8	42.4

Save as disclosed above, 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 2015.

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 Company operates a share award scheme, details of which are set out in note 34 to the consolidated financial statements.

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 2015 is disclosed in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 34% of the Group's total revenue and the largest customer contributed approximately 10% of the Group's total revenue for the year ended 31 December 2015. The five largest suppliers represented approximately 79% of the Group's total purchases and the largest supplier represented approximately 72% of the Group's total purchases for the year ended 31 December 2015.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
LIU Jinlan
Chairman

22 March 2016

CORPORATE GOVERNANCE REPORT

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 2015, 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. All the Directors were unable to attend the annual general meeting of the Company held on 21 May 2015 due to flight delays of all executive Directors under adverse weather conditions and other business engagements and commitments of the independent non-executive Directors and the non-executive Director. The company secretary of the Company was elected as the Chairman of the annual general meeting and the head of the investor relations department replied the questions from the shareholders attending the annual general meeting. All the Directors 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 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.

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 2015, 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 2015:

	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	0/1	4/4	N/A	N/A	1/1	1/1	1/1	1/1
Mr. LIU Xiang	0/1	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Mr. TAO Jinxiang	0/1	3/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. ZHANG Yuxiao	0/1	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	3/4	3/3	2/2	1/1	N/A	N/A	N/A
Mr. William John SHARP	0/1	3/4	3/3	2/2	N/A	N/A	N/A	N/A
Ms. XU Chunhua	0/1	3/4	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 2015, all independent non-executive Directors have served the Company for more than 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 Xiang, Mr. Tao Jinxiang and Ms. Xu Chunhua 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 2015 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 2015, 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 2015 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 2015, the Audit Committee had three meetings and out of these, two meetings were held with the external auditor. During the meetings held, the Audit Committee had performed the following work:

- reviewing the audited financial statements for the year ended 31 December 2014 and the unaudited financial statements for the six months ended 30 June 2015;
- 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 2015;
- reviewing any improprieties raised by the employees under the whistleblowing system regularly and ensuring proper independent investigation was followed; and
- adopting the revised term of reference to include the responsibility of assessing the risk management system of the Company unless expressly addressed by a separate risk committee of the Board, or by the Board itself, from 1 January 2016 onwards.

On 21 March 2016, the Audit Committee met with the external auditor to discuss the general scope of their audit work and reviewed the financial statements for the year ended 31 December 2015 as well as the management letter issued by the external auditor for the annual audit for the year ended 31 December 2015.

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 2015. 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 2014;

- 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 2015 with reference to the remuneration package of the Board in 2014 and the Group's estimated financial performance for the year ended 31 December 2015; and

- approving the vesting of shares awards granted to the employees of the Group upon the achievement of financial performance target of the Group in the year 2014.

Subsequent to the year 2015, the Remuneration Committee held another meeting before 22 March 2016. 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 2015;
- 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 2016 with reference to the remuneration package of the Board in 2015 and the Group's estimated financial performance for the year ended 31 December 2016; and
- resolved that the total remuneration and compensation of the Directors and senior Management paid for the year ended 31 December 2015 was approved, ratified and recommended to the Board;

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	8
RMB1,000,001–RMB2,000,000	3
RMB2,000,001–RMB3,000,000	1
RMB5,000,001–RMB6,000,000	2
RMB8,000,001–RMB9,000,000	2
RMB12,000,001–RMB13,000,000	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 2015, 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 2015.

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 2015, 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 2015.

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 2015.

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 2015.

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 2015. 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 ended 31 December 2015. 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 AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges the responsibilities of overseeing the preparation of the financial statements for the year ended 31 December 2015, 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 2015, 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 53 and 54 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2015, the Group paid approximately RMB1,699,000 and RMB306,000 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 on a regular basis. 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 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 2015.

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 2015, 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 21 May 2015, the head of the investor relations department and the company secretary of the Company 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 auditor's 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.

2015 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With an aspiration of becoming a world-leading radial tyre steel cord producer, Xingda has been maintaining high-level corporate governance, striving to improve and protect the environment in the factory, performing its corporate social responsibility, protecting the rights and interests of its shareholders and make contribution to the community.

Regarding employees as the key to quality products, Xingda is committed to creating a stable and pleasant working environment. In 2015, the Company remained profitable, provided quality guaranteed products, performed its corporate social responsibilities and aspired to bring the best return for its shareholders.

CORPORATE GOVERNANCE

Risk management and internal control

To develop into a world class producer, the Company updates working guidelines and strategies every year. Moreover, in response to the changing business environment, the Company sticks to a creative and highly-efficient management mode, makes efforts to attract young talents and makes annual employee performance evaluation.

To reduce operational risk, the directors and the secretary to the Company try their best to make sure the Company follows the Listing Rules. The Company also establishes an effective budget system in coordination with the internal control and supervision system to reduce risks of financial distress, frauds, property loss or embezzlement. Besides, in order to keep pace with the times and pursue excellence, the Company, on a regular basis, appoints an external accountant to audit and make suggestions on its internal control and risk management system.

Xingda undertakes to fight against corruption and sets an independent audit department to prevent employees from taking part in bribery, blackmail and fraud. The Company encourages its employees to report any violation or corruption directly to the Audit Committee and promotes the idea of anti-corruption through its Publicity Department. During the year, the Company did not receive any report of violation or corruption.

Besides, the Company sets a Nomination Committee to make sure the board has a diversified membership in terms of skills, regional and industry experience, backgrounds, races, genders and other aspects so as to cater for the different needs of shareholders and investors in governance.

Protect the rights and interests of investors and share results

Attaching great importance to its relations with shareholders and investors, Xingda grants shareholders the qualification and right to convene general meetings, give suggestions and nominate candidates of directors so as to protect the rights and interests of shareholders and investors. Meanwhile, the Company has an independent department which is responsible for dealing with investor relations and from time to time collects the opinions of investors and shareholders at meetings and reports to the management of the Company. The Company has been strictly observing Hong Kong Listing Rules, proactive in information disclosure, maintaining a stable dividend payout ratio and sharing business results with its shareholders.

CORPORATE GOVERNANCE – *CONTINUED*

Responsibilities for products

Most of the Company's major suppliers are in Jiangsu Province. The Company selects reputable and competitively priced suppliers in the industry, makes decisions through price comparison and negotiation, and arranges the Audit Department to keep a close eye on the list of suppliers and purchase price to prevent any corruption.

Xingda has strict control over the production process, makes control plans for each working procedure, sets process parameters and product testing parameters and prepares testing work guide books for specific projects. Apart from on-site testing, the Company also sends samples to the laboratory for instrumental and chemical analysis. All testing instruments are regularly calibrated by the Company's Measuring Office and external calibration institutions.

In the year, when the Company got a feedback on product quality from customers, the Marketing Department would communicate with relevant customers and send the problem products to relevant department. If necessary, a technician would be arranged to conduct further investigation on site. According to the Company's regulations on Customer Complaint Control, all returned products must be sent to the factory and the Quality Control Department will then take improvement measures including maintenance, examination, selection and analysis. The Company's Quality Improvement Team will conduct 8D analysis and improvement and send improved products back to customers.

EMPLOYEE POLICIES

Basic information

As at 31 December 2015, Xingda has a total of 6,404 employees. Its average monthly separation rate in 2015 was 1.74%. Basic information of current employees classified by position and age is set out below:

By position

Middle and senior management		Technicians and grassroots management		Assistants and operating staff	
Number of persons	Percentage	Number of persons	Percentage	Number of persons	Percentage
170	2.66%	417	6.51%	5,817	90.83%

By age

Under 20		20-35		35-50		Above 50	
Number of persons	Percentage	Number of persons	Percentage	Number of persons	Percentage	Number of persons	Percentage
74	1.15%	4,051	63.26%	2,190	34.20%	89	1.39%

EMPLOYEE POLICIES – *CONTINUED*

Occupational safety

Occupational safety is very important to the Company. The Company has worked out regulations such as Occupational Disease Prevention, Control and Management System, Occupational Safety and Health Education Management System, Dust and Poison Prevention Facility Management System and Other Systems and Procedures for Management of Occupational Health and Safety Monitoring and Measurement. Besides, it has even directly cited the Production Safety Law of the People's Republic of China, Labor Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Regulation on Work-Related Injury Insurances and other relevant laws, regulations and requirements.

The Company makes all efforts to promote occupational safety and launches a series of education activities to ensure the employees fully understand relevant laws and regulations. Moreover, it offers trainings on protection against hazardous substances and urges employees to use appropriate protective articles. To further improve safety performance, the Company provides education on management of occupational safety monitoring and measurement. Besides, it detects the concentration of poisonous and harmful substances in the working sites every year and arranges for the operators who contact relevant substances to receive physical examination by the disease control department.

What's more, all new employees should receive safety education and training of three levels (factory, workshop and team or group) of the Company before starting their work. Special operators (such as electricians, welders and folklift operators) should have a certificate to assume their posts. The Company will also regularly offer employee training to improve the safety skills, responsibilities and systems of different positions.

Rights and interests of employees

The Company has established the system of employee representative congress according to laws to protect the employees' rights and interests. Besides, it has set up such organizations as trade union, female employee committee, economic inspection committee of the trade union and labor protection supervision and examination committee. The employee representative congress and trade union member representative congress of the Company hold one to two joint meetings every year to discuss the Company's employee welfare system.

Xingda endeavors to ensure the male and female employees can get the same pay for the same job. The employees' salaries are calculated only based on such factors as standards for position grades, skills, working years, attendance and monthly performance. In addition, the Company has signed the Specialized Collective Agreement on Protection of Female Employees' Rights and Interests, to ensure there are female employee representatives in the supervision and mediation bodies at various levels, and prohibits gender discrimination. Meanwhile, the Company has worked out the Clauses on Protection of Female Employees' Special Interests at the request of female employees.

EMPLOYEE POLICIES – *CONTINUED*

Recruitment, training and evaluation

The Company recruits employees for all positions in and outside the Company in the spirit of fairness and openness. The best employees will be selected and employed after approval by the management. Meanwhile, according to the policy on preventing child labor or forced labor, the Company specifies that all employees should be over 18 and overtime work is arranged following the principle of free will. The Company has also worked out the No Discrimination Management System to support employees with disabilities.

The Company selects technicians of different positions and professional fields to provide one-on-one guidance for new employees. It also organizes professional instructor teams to provide training so as to help employees improve their vocational skills. In addition, the Company's Xingda College offers trainings for the backup teams of relevant positions twice every year so as to provide learning opportunities and development platforms for the employees and give them more chances for promotion.

The Company's rank system is linked to the sound performance evaluation system. Based on the Company's annual operation objectives, evaluation is conducted from four aspects, namely, finance, customer relations, internal operation and learning & development. Departments may conduct evaluation level by level according to their respective targets.

Internal communication

Xingda encourages equal dialog between employees and the management and advocates various communication platforms such as internal website, bulletin board, opinion survey and symposiums. Moreover, it provides general manager mail box and complaint mail box and regularly publishes Xingda Newspaper (internal newsletter).

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION

Environmental protection

The Company started to establish the ISO14001 environmental management system in 2003. The system has been operating effectively since the certificate was obtained and is reviewed by CAQC Certification Inc. every year. The Company's New Environmental Protection Law, which took effect as from 1 January 2015, follows five principles, namely, protection first, prevention oriented, comprehensive treatment, public participation and damage accountability. Furthermore, the Company implements the policy of "three simultaneities" and the principle of "the polluter pays" for environmental protection and takes actual measures to ensure balance between company development and environmental protection. The policy of "three simultaneities" means the installations for pollution prevention at a construction project should be designed, built and put into use simultaneously with the principal part of the project. The principle of "the polluter pays" means according to state provisions, any entity that has caused an environmental pollution hazard should be responsible for the control of environmental pollution and compensation of damages so as to really realize accountability system of environmental protection.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Environmental protection – *CONTINUED*

Guided by the environmental policy of "Cherishing Blue Ideal and Creating a Green World", the Company puts forward four commitments (observing national and local environmental protection laws and regulations; continuously improving environmental management system and environmental behaviors; gradually reducing the use of hazardous substances; and minimizing abnormal discharge of pollutants per unit product), formulates relevant procedures and operation instructions and properly regulates environmental protection work.

Energy conservation and emission reduction

The Company made its energy-saving plan aiming to save 70,000 tonnes of standard coal during the "12th Five-year" period according to GB/T24001—ISO14001 and its actual production and operation, Law of the People's Republic of China on Conserving Energy, Regulations of Jiangsu Province on Conserving Energy, Energy Saving Monitoring and Testing Method In Jiangsu Province, General Principles for Stipulation of Enterprise Energy Conservation Plan GB/T25329-2010 and Relevant Notices and Announcements of National Development and Reform Commission and Jiangsu Economic and Information Technology Commission. By the end of the "12th Five-year" period, the Company saved a total of 84,700 tonnes of standard coal, exceeding the target.

The Company has made continuous improvement in efficiency in recent years, as indicated in the major data below:

Year	2010	2011	2012	2013	2014	**2015**
Energy consumption per unit product (tce/t)	0.82	0.76	0.71	0.67	0.62	**0.61**
Energy consumption per unit of output value (tce/RMB0'000)	0.42	0.38	0.41	0.47	0.47	**0.53**

Aimed at improving energy-saving benefit, Xingda has eliminated production techniques featuring high pollution, energy-extensive consumption and low efficiency, and has achieved remarkable achievement in environment improvement. The Company has gained a lot of awards, e.g. "Advanced Unit of Energy-saving in Jiangsu", "Jiangsu Provincial Model Enterprise of Energy Measurement", "Advanced Collectives of Energy-saving in Jiangsu", "Advanced Enterprise of Energy-saving in Jiangsu" and "Four-star Enterprise of "Star of China's Energy Efficiency"".

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Energy conservation and emission reduction – *CONTINUED*

The main emissions produced during the Company's production and relevant treatment measures are as follows:

Waste water

pH: Acid-base neutralization + coagulation sedimentation
COD: Aeration oxidation + coagulation sedimentation + biochemical degradation
Cu: Acid-base neutralization + coagulation sedimentation
Zn: Acid-base neutralization + coagulation sedimentation
P: Acid-base neutralization + coagulation sedimentation + biochemical degradation
Oil-polluted water: Physico-chemical precipitation + biochemical degradation

Waste gas

Hydrogen chloride: Alkaline liquor spraying absorption

The Company treats the waste water and waste gas emitted during production strictly in accordance with relevant regulations of the state. According to the limit requirements in Table 2 under the Emission Standard of Pollutants for Electroplating GB21900-2008, the Company separately collects and treats the waste water produced by workshops according to its quality, and reuses about 80% intermediate water by draining it into the main pipe of industrial water for future use. To ensure that the concentrated water produced during the treatment can reach the discharge standard after being treated with biochemical degradation, the Company installs online monitoring facilities on the terminal discharge outlets of sewage treatment stations to monitor pH, COD, flow and other values. Besides, according to the limit requirements in Table 5 under the Emission Standard of Pollutants for Electroplating GB21900-2008, the Company collects waste gases from production line pipes, employs the spray towers for absorption in alkaline liquor and then disposes of them with two or more towers to ensure that the hydrogen chloride reaches the discharge standard.

To effectively prevent the occurrence of unexpected events, the Company conducts trainings and field tests on a regular basis and strengthens the management and standardization of the disposal of various hazardous articles and wastes. The Company has mandatory and stringent management and treatment regulations on hazardous articles and wastes produced during the production process. In addition, the Company compiled the Contingency Plan for Emergent Environmental Incidents of Jiangsu Xingda Steel Cord Co., Ltd. and recorded it with Environmental Protection Department of Jiangsu Province in December 2013.

Environmental awareness and employee involvement

Employee involvement has a far-reaching influence on the Company's performance in energy conservation and environmental protection. As such, the Company specifies that new employees must receive energy saving and environmental protection knowledge trainings and questionnaire surveys before starting work, the branches must carry out two or more environmental protection knowledge trainings and questionnaire surveys every year, and the management also conducts an environmental regulations-related training once a year, to ensure that all employees of the Company keep abreast of new developments in environmental regulations.

GIVE BACK

Preferentially engage local personnel

With an emphasis on the overall development of the place where businesses are carried out, the Company preferentially engages local personnel to boost the local employment rate, makes the best of local surplus labor and maintains staff stability. The Company has established a long-term partnership with the government departments and labor security service departments and built a sound recommendation mechanism which gives preference to local personnel.

Public welfare activities

Clearly aware that an enterprise is closely related to the society, Xingda, in developing businesses, fulfils its corporate social responsibilities based on its commitment to support public welfare. To give back to the society, the Company enthusiastically holds or participates in public welfare activities and gives priority to particular fields, including provision of poverty alleviation aid to the designated sister regions, building of civilized eco-village, environmental improvement, voluntary blood donation, disaster donation and support of industry development.

To help the building of new socialist countryside, the Company dispatched more than 10 business elites to promote the concept of advanced management in remote villages and towns of Xinghua City and provided RMB1.1 million of free support in building roads and bridges, which brought knowledge and infrastructure to local citizens.

In July 2008, the Company set up Jiangsu Xingda Love Care Foundation which sends warmth to people in need. Besides providing assistance to help the poor solve financial difficulties, the Company even supports activities of visiting the poor and the suffering to encourage personal care for the underprivileged. The Chinese Public Welfare Federation and the Committee of Engineering Love in China jointly awarded the Company with the title of "Chinese Model Organization Caring for People's Livelihood and Public Welfare" in praise of the Company's contribution to public welfare undertakings. In 2015, the Company contributed RMB172,500 in total to nearly 50 poor people in the society.

Volunteer service

As a responsible enterprise, the Company encourages employees to participate in volunteer service activities to make a contribution to the society; the "Volunteer Service Activity System" is thus formulated to have volunteer service activities rule-based and well-managed. Within the year, the Company organized an activity of visiting the elderly home to deliver care to the elderly. The Company's trade union issues certificates of honor to employees who have done a great job in public welfare and praises their sense of good citizenship to promote the culture of Xingda's trade union and employees. In 2015, the trade union issued certificates of honor to two employees in recognition of their heroic deeds. Every year, employees contribute to the society by taking active part in the blood donation, which is a long-established public welfare project of the Company.

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

We have audited the consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, 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 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	8	**4,736,889**	5,594,925
Cost of sales		**(3,886,725)**	(4,321,990)
Gross profit		**850,164**	1,272,935
Other income	9	**22,453**	35,845
Gain on disposal of available-for-sale investment	23	**131,644**	–
Government grants	10	**29,977**	35,871
Selling and distribution expenses		**(376,432)**	(362,323)
Administrative expenses		**(280,902)**	(272,090)
Other gains and losses, net	11	**(49,827)**	(86,425)
Share of loss of a joint venture	21	**(11)**	(122)
Finance costs	12	**(34,235)**	(48,941)
Profit before tax		**292,831**	574,750
Income tax expense	13	**(53,109)**	(111,891)
Profit for the year	14	**239,722**	462,859
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available-for-sale investment	23	**–**	66,600
Deferred tax liability on recognition on fair value gain on available-for-sale investment	24	**–**	(9,990)
Other comprehensive income for the year, net of tax		**–**	56,610
Total comprehensive income for the year, net of tax		**239,722**	519,469
Profit for the year attributable to:			
Owners of the Company		**173,754**	327,788
Non-controlling interests		**65,968**	135,071
		239,722	462,859
Total comprehensive income for the year attributable to:			
Owners of the Company		**173,754**	367,155
Non-controlling interests		**65,968**	152,314
		239,722	519,469
Earnings per share	17		
Basic (RMB fen)		**11.57**	21.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,984,404**	3,679,700
Prepaid lease payments	19	**282,157**	233,215
Investment properties	20	**136,690**	130,240
Interest in a joint venture	21	**–**	250,810
Available-for-sale investment	23	**–**	201,000
Deferred tax assets	24	**16,583**	10,493
Prepayment	25	**4,000**	11,583
		4,423,834	4,517,041
CURRENT ASSETS			
Prepaid lease payments	19	**6,965**	5,812
Inventories	26	**395,810**	544,497
Trade and other receivables	27	**1,933,267**	2,026,333
Bill receivables	27	**1,973,563**	2,493,087
Pledged bank deposits	28	**17,500**	8,000
Bank balances and cash	28	**733,347**	530,910
		5,060,452	5,608,639
CURRENT LIABILITIES			
Trade and other payables	29	**1,718,818**	2,231,812
Amount due to a related company	30	**157**	4,257
Tax payable		**32,051**	45,736
Bank borrowings – due within one year	31	**514,953**	815,690
Government grants	32	**15,500**	10,000
		2,281,479	3,107,495
NET CURRENT ASSETS		**2,778,973**	2,501,144
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,202,807**	7,018,185
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**39,609**	53,505
NET ASSETS		**7,163,198**	6,964,680

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTE	**2015** **RMB'000**	2014 RMB'000
CAPITAL AND RESERVES			
Share capital	33	**148,014**	150,251
Reserves		**4,976,016**	5,030,489
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,124,030**	5,180,740
NON-CONTROLLING INTERESTS		**2,039,168**	1,783,940
TOTAL EQUITY		**7,163,198**	6,964,680

The consolidated financial statements on pages 55 to 123 were approved and authorised for issue by the Board of Directors on 22 March 2016 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 2015

	Attributable to owners of the Company												
	Share capital	Share premium	Special reserve	Capital contribution reserve	Statutory common reserve	Investment revaluation reserve	Capital redemption reserve	Retained earnings	Shares held under share award scheme	Awarded shares compensation reserve	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note a)	*(note b)*	*(note c)*								
At 1 January 2014	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
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	–	173,754	–	–	173,754	65,968	239,722

	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*
Appropriations	–	–	–	–	35,158	–	–	(35,158)	–	–	–	–	–
Dividend recognised as distribution *(note 16)*	–	(154,862)	–	–	–	–	–	–	–	–	(154,862)	–	(154,862)
Dividend recognised as distribution to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(41,000)	(41,000)
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	9,494	(9,494)	–	–	–
Repurchase of ordinary shares	(2,237)	(40,114)	–	–	–	–	2,237	(2,237)	–	–	(42,351)	–	(42,351)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	6,116	6,116	–	6,116
Investment revaluation reserve released on disposal of available-for-sale investment	–	–	–	–	–	(39,367)	–	–	–	–	(39,367)	(17,243)	(56,610)
Non-controlling interests arising on the recognition of a subsidiary previously treated as a joint venture *(Note 21)*	–	–	–	–	–	–	–	–	–	–	–	247,503	247,503
At 31 December 2015	**148,014**	**588,724**	**283,352**	**(130,150)**	**633,976**	**-**	**5,047**	**3,601,103**	**(22,934)**	**16,898**	**5,124,030**	**2,039,168**	**7,163,198**

Notes:

(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)"), Shanghai Xingda Steel Tyre Cord Co., Ltd. ("Shanghai Xingda") and Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda"), 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 2015

	NOTE	2015 *RMB'000*	2014 *RMB'000*
OPERATING ACTIVITIES			
Profit before tax		**292,831**	574,750
Adjustments for:			
Depreciation and amortisation		**482,910**	442,554
Interest income		**(5,817)**	(5,419)
(Gain) loss on fair value change on investment properties		**(6,450)**	3,060
Share of loss of a joint venture	21	**11**	122
Gain on deemed disposal of a joint venture	21	**(6,807)**	–
Loss on disposal of property, plant and equipment		**1,581**	12,449
Gain on disposal of land use right		**(7)**	–
Gain on disposal of available-for-sale investment		**(131,644)**	–
Impairment loss recognised in respect of trade and other receivables		**71,005**	10,424
Write-off of trade receivables		**2,912**	1,888
Recovery of doubtful debts		**(27,454)**	(7,857)
Recognition of equity-settled share-based payment		**6,116**	11,283
Finance costs		**34,235**	48,941
Operating cash flows before movements in working capital		**713,422**	1,092,195
Decrease (increase) in inventories		**168,050**	(179,713)
Decrease (increase) in trade and other receivables		**65,496**	(47,822)
Decrease (increase) in bill receivables		**519,524**	(101,413)
Decrease (increase) in prepayment		**3,000**	(1,583)
(Decrease) increase in trade and other payables		**(480,285)**	248,751
Increase in government grants received		**5,500**	–
(Decrease) increase in amount due to a related company		**(4,100)**	2,599
Purchase of shares for the purpose of share-award scheme		**–**	(10,920)
Cash generated from operations		**990,607**	1,002,094
Income tax paid		**(81,239)**	(148,457)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**909,368**	853,637
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(417,610)**	(313,746)
Purchase of available-for-sale investment		**–**	(134,400)
Placement of pledged bank deposits		**(71,500)**	(85,500)
Purchase of land use right		**(418)**	–
Withdrawal of pledged bank deposits		**62,000**	111,500
Proceeds on disposal of property, plant and equipment		**1,373**	2,653
Proceeds on disposal of available-for-sale investment		**266,044**	–
Proceeds on disposal of land use right		**723**	–
Net cash inflow arising on acquisition of a subsidiary	21	**15,970**	–
Interest received		**5,817**	5,419
Repayment from a joint venture		**–**	3,650
NET CASH USED IN INVESTING ACTIVITIES		**(137,601)**	(410,424)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Repayment of borrowings	**(911,352)**	(1,220,000)
Dividend paid	**(154,862)**	(191,812)
Dividend paid to non-controlling shareholders	**(41,000)**	(41,000)
Interest paid	**(30,380)**	(48,941)
Payment on repurchase of ordinary shares	**(42,351)**	(20,462)
New bank loans raised	**610,615**	1,195,690
NET CASH USED IN FINANCING ACTIVITIES	**(569,330)**	(326,525)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**202,437**	116,688
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**530,910**	414,222
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**733,347**	530,910

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 its subsidiaries are engaged in the manufacture and trading of radial tire cords, bead wires and other wires.

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

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

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

New and revised 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[1]
IFRS 16	Lease[5]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2019

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 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2015 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:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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 attributable to a financial liability's 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 is 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 mechanisms currently available in IAS 39. Under IFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets (e.g. the impairment on trade and other receivables). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

IFRS 15 Revenue from Contracts with Customers

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 of the Company 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 a detailed review has been completed.

Except as described above, the directors do not anticipate that the application of other new and revised IFRSs 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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, 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 *Share-based Payments*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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 when 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time 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 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 the 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.

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.

Depreciation is recognised so as to write off the cost of items of assets 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.

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 any directly attributable expenditure. 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 classified and 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 properties 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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the profit or loss in the period in which the item is derecognised.

Leasing

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

The Group as lessor

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Leasing – *Continued*

Leasehold land and building

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

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Government grants

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

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and defined contribution retirement benefit plans are recognised 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 of income or expense that are taxable or deductible in other years and 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Taxation – *Continued*

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.

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.

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.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets

The Group's financial assets are mainly available-for-sale financial assets and 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 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 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 (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or financial assets at fair value through profit or loss.

Equity securities held by the Group that are classified as available-for sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

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.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial asset, such as trade and other receivables that are assessed not to be impaired individually are, in addition, 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets – *Continued*

When an available-for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

Impairment losses on available-for-sale equity investments previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

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.

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial liabilities and equity instruments – Continued

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 recognise its retained interest in the asset and an associated liability for amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 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 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 loss, 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. When 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 immediately in profit or loss, 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 of the Company 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 of the Company 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. 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 any 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.

Key sources of estimation uncertainty

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

Income taxes

As at 31 December 2015, deferred tax assets of RMB16,583,000 (2014: RMB10,493,000) 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.

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

Key sources of estimation uncertainty – *Continued*

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 2015, the carrying amount of trade receivable is RMB1,900,188,000, net of allowance for doubtful debts of RMB82,828,000 (31 December 2014: carrying amount of RMB1,975,489,000, net of allowance for doubtful debts of RMB39,277,000).

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 2015 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.

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 2015 is RMB136,690,000 (2014: RMB130,240,000).

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 of the Company 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 the payment of dividends, share buy-backs, new share issues as well as raising of new borrowings and repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015	2014
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale investment	–	201,000
Loans and receivables at amortised cost (including cash and cash equivalents)	**4,624,598**	5,007,486
Financial liabilities		
Liabilities at amortised cost	**1,977,183**	2,711,541

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 to a related company, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 27.4% (2014: 21.4%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst 2.4% (2014: 5.4%) 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 6% (2014: 4%) increase and decrease in RMB against the relevant foreign currencies. 6% (2014: 4%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and 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 6% (2014: 4%) 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 6% (2014: 4%) and all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately RMB28,240,000 (2014: RMB16,209,000), RMB1,467,000 (2014: RMB137,000) and RMB4,799,000 (2014: RMB2,049,000), respectively.

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 28 for details of these bank balances). It is the Group's policy to keep certain of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of 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 2015.

A 75 basis points (2014: 75 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 75 basis points (2014: 75 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by approximately RMB937,000 (2014: decrease/increase by approximately RMB118,000).

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.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

b. Financial risk management objectives and policies – *Continued*

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. 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 2014: 82%) of the total trade receivable as at 31 December 2015. 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. The 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 2015, the Group has available unutilised banking facilities of approximately RMB3,128,826,000 (2014: RMB2,622,760,000).

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 curve 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 2015

	Weighted average interest rate	Less than 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	1,163,747	117,370	44,833	136,123	1,462,073	1,462,073
Amount due to a related company	–	157	–	–	–	157	157
Bank borrowings							
– variable rate	3.2	–	–	–	129,655	129,655	124,965
– fixed rate	5.0	–	168,118	1,116	229,578	398,812	389,988
		1,163,904	285,488	45,949	495,356	1,990,697	1,977,183

At 31 December 2014

	Weighted average interest rate	Less than 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	1,549,581	59,380	59,960	222,673	1,891,594	1,891,594
Amount due to a related company	–	4,257	–	–	–	4,257	4,257
Bank borrowings							
– variable rate	1.4	–	–	–	16,495	16,495	15,690
– fixed rate	5.5	–	–	–	826,927	826,927	800,000
		1,553,838	59,380	59,960	1,066,095	2,739,273	2,711,541

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are 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 2015	Fair value as at 31 December 2014	Fair value hierarchy	Valuation technique and key input
Listed available-for-sale investment (AFS) *(see note 23)*	Nil	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 other 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:

	2015	2014
	RMB'000	*RMB'000*
Radial Tire Cords		
– For Trucks	**2,667,805**	3,428,443
– For Passenger Cars	**1,666,622**	1,699,786
Bead Wires and other wires	**402,462**	466,696
	4,736,889	5,594,925

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.

	2015	2014
	RMB'000	*RMB'000*
The PRC (country of domicile)	**3,538,342**	4,465,483
India	**228,783**	209,448
Korea	**214,483**	216,782
United States of America	**172,013**	170,848
Germany	**84,569**	85,347
Others	**498,699**	447,017
	4,736,889	5,594,925

"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:

	2015	2014
	RMB'000	*RMB'000*
Customer 1	**491,109**	653,418

8. REVENUE

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

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Sales of scrap materials	**4,900**	19,487
Interest income earned on bank balances and bank deposits	**5,817**	5,419
Cash discounts received on early settlement of trade payables	**338**	18
Rental income from investment properties, net	**6,123**	6,024
Sundry income	**5,275**	4,897
	22,453	35,845

10. GOVERNMENT GRANTS

Government grants represent incentive subsidies received 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 2015 and 2014.

For government grants received in the current year where no specific conditions were attached, amounting to approximately RMB29,977,000 (2014: RMB35,871,000) was recognised in the consolidated statement of profit or loss and other comprehensive income when the grants were received.

11. OTHER GAINS AND LOSSES, NET

	2015 RMB'000	2014 RMB'000
(Gain) loss on fair value change of investment properties	**(6,450)**	3,060
Loss on disposal of property, plant and equipment	**1,581**	12,449
Gain on disposal of land use right	**(7)**	–
Gain on deemed disposal of a joint venture *(note 21)*	**(6,807)**	–
Research and development expenditure	**44,950**	57,078
Impairment loss recognised on trade and other receivables	**71,005**	10,424
Write-off of trade receivables	**2,912**	1,888
Recovery of doubtful debts	**(27,454)**	(7,857)
Exchange (gain) loss, net	**(29,903)**	9,383
	49,827	86,425

12. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**34,235**	48,941

13. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current tax	**82,292**	118,010
Overprovision in prior years	**(4,748)**	(4,403)
Deferred taxation *(note 24)*	**(24,435)**	(1,716)
	53,109	111,891

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 is 25% from 1 January 2008 onwards except for the subsidiary described below.

Jiangsu Xingda renewed its High-tech Enterprise Certificate which expired in 2014 with the relevant authorities issued the High-tech Enterprise Certificate on 6 July 2015. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2015, 2016 and 2017. 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 2015 and 2014.

No provision for Hong Kong Profits Tax has been made as the Group's income 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:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**292,831**	574,750
Tax at the PRC tax rate of 25%	**73,207**	143,688
Tax effect of expenses not deductible for tax purposes	**24,841**	16,860
Tax effect of income not taxable for tax purposes	**(14,339)**	(14,948)
Tax effect of preferential tax rate	**(15,737)**	(22,817)
Tax effect of share of loss of a joint venture	**3**	30
Overprovision in prior years	**(4,748)**	(4,403)
Withholding tax *(Note)*	**(9,850)**	(6,405)
Others	**(268)**	(114)
Income tax expenses for the year	**53,109**	111,891

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 2015, one of the PRC subsidiaries, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord") has distributed previously proposed dividends of RMB130,500,000 (2014: RMB111,000,000) and proposed additional dividends on 2015'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 2015 and up to the date of these consolidated financial statements were authorised for issuance.

As a result, a deferred tax credit of approximately RMB9,850,000 (2014: RMB6,405,000) 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 Cord amounting to RMB2,451,000,000 (2014: RMB2,165,000,000), 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

	2015	2014
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration *(note 15)*		
Salaries, wages and other benefits	**468,620**	480,348
Retirement benefits scheme contributions *(note 37)*	**33,559**	34,452
Share-based payments	**6,116**	11,283
Total staff costs	**508,295**	526,083
Amortisation of prepaid lease payments	**6,920**	5,182
Auditor's remuneration	**2,005**	1,815
Cost of inventories recognised as an expense	**3,886,725**	4,321,990
Depreciation for property, plant and equipment	**475,990**	436,742
Gross rental income from investment properties	**(6,490)**	(6,394)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**367**	370
	(6,123)	(6,024)

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to the 8 (2014: 8) directors were as follows:

	2015	2014
	RMB'000	*RMB'000*
Fees	**1,300**	1,224
Salaries and other allowances	**11,941**	13,325
Performance related incentive bonus *(note)*	**18,209**	19,985
Retirement benefits scheme contributions	**99**	77
Share-based payments	**4,107**	7,564
	35,656	42,175

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 2015

	Fees	Salaries and other allowances	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	–	4,262	6,392	31	1,590	12,275
LIU Xiang	–	2,785	4,475	31	795	8,086
TAO Jinxiang	–	2,980	4,470	31	795	8,276
ZHANG Yuxiao	–	1,914	2,872	6	795	5,587
Non-executive Director						
WU Xiaohui	325	–	–	–	–	325
Independent Non-executive Directors						
William John SHARP*	325	–	–	–	66	391
KOO Fook Sun, Louis	325	–	–	–	66	391
XU Chunhua	325	–	–	–	–	325
	1,300	11,941	18,209	99	4,107	35,656

* appointed as the vice chairman of the board on 1 January 2016

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

Directors – *Continued*

Year ended 31 December 2014

	Fees	Salaries and other allowances	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

Employees

The five highest paid employees of the Group during the year included four directors (2014: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining one (2014: one) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,106**	1,989
Bonus	**3,159**	2,983
Retirement benefit scheme contributions	**31**	24
Share-based payments	**635**	1,174
	5,931	6,170

None of the directors waived any emoluments during both years.

16. DIVIDEND

	2015	2014
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2014 – 13.0 HK cents per share (2014: final dividend paid in respect of the year ended 31 December 2013 – 16.0 HK cents per share)	**154,862**	191,812
Final dividend proposed, 10.0 HK cents (financial year ended 31 December 2014: 13.0 HK cents) per share	**124,619**	154,862

Subsequent to the end of the reporting period, final dividend for the year ended 31 December 2015 of 10.0 HK cents (2014: 13.0 HK cents) per share has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividend proposed for the year ended 31 December 2015 and the dividend paid for financial year ended 31 December 2014 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:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**173,754**	327,788

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,502,008**	1,523,812

There was no potential ordinary shares outstanding during the years ended 31 December 2015 and 2014.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	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 2014	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
Additions	1,130	–	66,944	10,025	3,379	269,267	350,745
Acquired on acquisition of a subsidiary *(note 21)*	–	–	179	177	199	432,348	432,903
Reclassifications	329,903	–	700,275	6,601	828	(1,037,607)	–
Disposals	–	–	(59,023)	–	–	–	(59,023)
At 31 December 2015	**1,947,212**	**3,203**	**4,956,399**	**116,789**	**46,741**	**169,938**	**7,240,282**
DEPRECIATION							
At 1 January 2014	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
Provided for the year	94,327	101	365,199	13,895	2,468	–	475,990
Eliminated on disposals	–	–	(56,069)	–	–	–	(56,069)
At 31 December 2015	**547,111**	**743**	**2,599,420**	**69,016**	**39,588**	**–**	**3,255,878**
CARRYING VALUES							
At 31 December 2015	**1,400,101**	**2,460**	**2,356,979**	**47,773**	**7,153**	**169,938**	**3,984,404**
At 31 December 2014	1,163,395	2,561	1,957,734	44,865	5,215	505,930	3,679,700

18. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Construction in progress as at 31 December 2015 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 improvements	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 FOR LAND USE RIGHTS LOCATED IN THE PRC

	RMB'000
At 1 January 2014	244,839
Charge to profit or loss	(5,812)
At 31 December 2014	239,027
Addition for the year	5,001
Addition on acquisition of a subsidiary	52,730
Disposed during the year	(716)
Charge to profit or loss	(6,920)
At 31 December 2015	**289,122**

19. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS LOCATED IN THE PRC – *CONTINUED*

	2015	2014
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current assets	**282,157**	233,215
Current assets	**6,965**	5,812
	289,122	239,027
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long lease	**11,058**	11,193
Medium-term lease	**278,064**	227,834
	289,122	239,027

Prepaid lease payments 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 2014	133,300
Net decrease in fair value recognised in profit or loss	(3,060)
At 31 December 2014	130,240
Net increase in fair value recognised in profit or loss	6,450
At 31 December 2015	**136,690**

20. INVESTMENT PROPERTIES – *CONTINUED*

Investment properties represent the office premises located in Shanghai, the PRC, which is held under operations leases to earn rentals or for capital appreciation purpose are measured using the fair value model and accounted for as investment properties.

The fair values of the Group's investment properties at 31 December 2015 and 2014 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 (2015 and 2014: 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 2015 are as follows:

	Level 3	**Fair value as at 31 December 2015**
	RMB'000	*RMB'000*
Office premises located in Shanghai	136,690	136,690

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

21. ACQUISITION OF A SUBSIDIARY

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 three out of five directors and the other two 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 derecognised as a joint venture and recognised as a subsidiary of the Company with effective from 24 January 2015.

Before 24 January 2015, all the operational and financial decisions were required unanimous consent by all directors, appointed by the shareholders. Faith Maple had accounted for Shandong Xingda as joint venture using equity method.

Shandong Xingda is principally engaged in manufacturing and distribution of radial tire cords and bead wires and this company has not commenced operation for the year ended 31 December 2014.

Assets and liabilities recognised at the date of acquisition

	Original carrying amount *RMB'000*	**Fair value change** *RMB'000*	**Fair value** *RMB'000*
Current assets			
Prepaid lease payments	872	195	1,067
Inventories	19,363	–	19,363
Other receivables	18,893	–	18,893
Cash and cash equivalents	15,970	–	15,970
Non-current assets			
Property, plant and equipment *(note 18)*	424,688	8,215	432,903
Prepaid lease payments	42,277	9,386	51,663
Current liabilities			
Other payables	(30,301)	–	(30,301)
Non-current liabilities			
Deferred tax liabilities	–	(4,449)	(4,449)
	491,762	13,347	505,109

The assets and liabilities recognised at the date of acquisition were measured at fair value. The values have been arrived at on the basis of a valuation carried out on that day by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group.

21. ACQUISITION OF A SUBSIDIARY – *CONTINUED*

Non-controlling interests

The non-controlling interest (49%) in Shandong Xingda recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to approximately RMB247,503,000.

Goodwill arising on acquisition

	RMB'000
Fair value of consideration given for controlling interest	–
Fair value of previously held interest in a joint venture	257,606
Non-controlling interests	247,503
Less: recognised amount of identifiable net assets acquired (100%)	(505,109)
Goodwill arising on acquisition	–

Net cash inflow arising on acquisition

	RMB'000
Consideration paid	–
Less: cash and cash equivalents acquired	15,970
	15,970

Gain on deemed disposal of a joint venture

	RMB'000
Fair value of previously held interest in a joint venture	257,606
Carrying amount of interest in a joint venture	(250,810)
Share of loss of a joint venture	11
Gain on deemed disposal of a joint venture	6,807

Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of RMB6,853,000 attributable by Shandong Xingda. Revenue for the year includes RMB201,065,000 attributable by Shandong Xingda.

Had the acquisition of Shandong Xingda been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 31 December 2015 would have been RMB4,737,000,000, and the amount of the profit for the year would have been RMB239,712,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a protection of future results.

22. MAJOR NON-CASH TRANSACTION

During the year, a deposit paid for prepaid lease payments of RMB4,583,000 (see note 25) to the Local Government in Xinghua Municipality was reclassified from prepayment to prepaid lease payments upon the completion of acquisition of the land.

23. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2015	2014
	RMB'000	*RMB'000*
Cost of investment of equity securities listed in Shenzhen Stock Exchange	–	134,400
Increase in fair value recognised in other comprehensive income	–	66,600
At 31 December	–	201,000

At 31 December 2014, the Group holds approximately 3.87% of ordinary share capital of Guizhou Tyre Co., Ltd. ("Guizhou Tyre"), 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. In the current year, the Group disposed of all shares of Guizhou Tyre held to an independent third party, for an aggregate consideration, after expenses of RMB266,044,000. A gain on disposal of RMB131,644,000, has been recognised in profit or loss for the current year. Upon completion of the disposal, the Group no longer holds any shares in Guizhou Tyre.

24. DEFERRED TAXATION

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

	2015	2014
	RMB'000	*RMB'000*
Deferred tax assets	**16,583**	10,493
Deferred tax liabilities	**(39,609)**	(53,505)
	(23,026)	(43,012)

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	Fair value adjustment arising from acquisition of a subsidiary	Undistributed profits of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	(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
Acquisition of a subsidiary *(note 21)*	–	–	–	–	4,449	–	4,449
Charge (credit) to profit or loss	350	(6,440)	1,613	(9,990)	(118)	(9,850)	(24,435)
At 31 December 2015	**(4,240)**	**(12,343)**	**4,348**	**–**	**4,331**	**30,930**	**23,026**

At the end of the reporting period, the Group has deductible temporary difference of approximately RMB111,442,000 (2014: RMB70,841,000) 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 RMB110,557,000 (2014: RMB69,956,000) of such deductible temporary difference. At the end of the reporting period, the Group has deductible temporary differences of RMB885,000 (2014: RMB885,000) 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.

25. PREPAYMENT

The amount represents prepayment of road maintenance and management fee of RMB7,000,000 (2014: RMB10,000,000) for a period of 2.33 (2014: 3.33) years. An amount of RMB3,000,000 (2014: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as an expenses within twelve months after the reporting date. An amount of remaining RMB4,000,000 (2014: RMB7,000,000) was classified as non-current asset which will be recognised as expenses over twelve months after the reporting date. The amount as at 31 December 2014 also included a deposit paid for prepaid lease payments of RMB4,583,000 to the Local Government in Xinghua Municipality.

26. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**182,801**	280,658
Work in progress	**63,640**	64,099
Finished goods	**149,369**	199,740
	395,810	544,497

27. 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.

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

	2015	2014
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,304,091**	1,417,477
91 – 120 days	**203,963**	215,274
121 – 180 days	**212,972**	214,540
181 – 360 days	**168,758**	128,198
Over 360 days	**10,404**	–
	1,900,188	1,975,489
Advances to raw material suppliers	**6,220**	–
Prepayment for spools	**10,323**	26,637
Other receivables and prepayments	**22,302**	24,327
Less: Allowance for doubtful debts on other receivables	**(5,766)**	(120)
	33,079	50,844
	1,933,267	2,026,333
Bill receivables *(see Note (a))*		
0 – 90 days	**85,245**	278,043
91 – 180 days	**677,517**	890,119
181 – 360 days	**1,087,726**	1,192,080
Over 360 days	**123,075**	132,845
	1,973,563	2,493,087

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:

	2015	Equivalent to RMB	2014	Equivalent to RMB
	'000	*'000*	*'000*	*'000*
USD	**55,795**	**362,027**	50,107	306,605
EUR	**10,410**	**73,592**	6,751	50,335

27. 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:

	2015	2014
	RMB'000	*RMB'000*
1 January	**39,277**	71,799
Impairment loss recognised on receivables	**71,005**	10,424
Amounts written off as uncollectible	**–**	(35,089)
Amounts recovered during the year	**(27,454)**	(7,857)
31 December	**82,828**	39,277

The Group reviews all trade receivables overdue more than one year for allowance for doubtful debts, amounting to approximately RMB75,427,000 as at 31 December 2015 (2014: RMB21,561,000) before provision of allowance for doubtful debts of RMB65,023,000 (2014: RMB21,561,000) because historical experience showed that receivables that are past due beyond one 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.

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

Included in the Group's trade receivables are debtors with a carrying amount of RMB392,134,000 at 31 December 2015 (2014: RMB342,738,000) 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 214 days (2014: 196 days) at 31 December 2015. No other receivables are past due as at the reporting date.

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

	2015	2014
	RMB'000	*RMB'000*
121-180 days	**212,972**	214,540
181-360 days	**168,758**	128,198
Over 360 days	**10,404**	–
	392,134	342,738

Out of the balance of RMB392,134,000 (2014: RMB342,738,000) which are past due but not impaired as at 31 December 2015, an amount of approximately RMB203,684,000 (2014: RMB178,319,000) 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 2015 and 2014 that were transferred to suppliers by endorsing bill 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.

As at 31 December 2015

	Bill receivables endorsed to suppliers with full recourse
	RMB'000
Carrying amount of transferred assets	**457,704**
Carrying amount of associated liabilities	
– Trade payables	**457,204**
– Payables for purchase of property, plant and equipment	**300**
– Other payables	**200**
Net position	**–**

27. 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	–

28. 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% (2014: 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 RMB17,500,000 (2014: RMB8,000,000) had been pledged to a bank to secure bank borrowing 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:

	2015 **'000**	**Equivalent to** ***RMB*** ***'000***	2014 *'000*	Equivalent to *RMB* *'000*
HKD	**30,440**	**25,342**	8,094	6,385
USD	**16,971**	**110,203**	16,010	97,964
EUR	**863**	**6,123**	514	3,834

29. TRADE AND OTHER PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**726,020**	853,393
91 – 180 days	**197,015**	546,088
181 – 360 days	**256,601**	163,511
Over 360 days	**31,051**	10,351
	1,210,687	1,573,343
Value-added tax payables and other tax payables	**4,472**	43,014
Accrued staff costs and pension	**197,811**	202,309
Payables for purchase of property, plant and equipment	**251,386**	318,251
Accrued interest expense	**5,248**	1,393
Accrued electricity charges	**1,773**	53,322
Others	**47,441**	40,180
	508,131	658,469
	1,718,818	2,231,812

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.

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

	2015	2014
	RMB'000	*RMB'000*
Bank loans	**514,953**	815,690
Secured	**34,965**	15,690
Unsecured	**479,988**	800,000
	514,953	815,690

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

	2015	2014
	RMB'000	*RMB'000*
Bank borrowings comprise:		
Fixed-rate borrowings	**389,988**	800,000
Variable-rate borrowings	**124,965**	15,690
	514,953	815,690

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:

	2015	2014
Effective interest rates:		
Fixed-rate borrowings	**3.92% – 5.60%**	5.32% to 5.70%
Variable-rate borrowings	**1.05% – 4.14%**	1.43%

During the year, the Group obtained new loans amounting to approximately RMB610,615,000 (2014: RMB1,195,690,000). The loans bear interest at market rates. The proceeds were used as daily working capital.

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

	2015	2014
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year	**658,814**	62,760
Fixed rate		
– expiring within one year	**2,470,012**	2,560,000
	3,128,826	2,622,760

32. GOVERNMENT GRANTS

The amounts represent government grants received to be used mainly for a technological advancement projects which are expected to be completed in 2016. 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	
	2015	2014	**2015**	2014
	'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	**1,515,287**	1,524,777	**150,251**	150,999
Repurchase of shares	**(27,792)**	(9,490)	**(2,237)**	(748)
At end of year	**1,487,495**	1,515,287	**148,014**	150,251

During the year ended 31 December 2015, 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*
January 2015	5,220	2.70	2.49	13,582	10,753
July 2015	9,202	2.05	1.65	17,931	14,149
August 2015	2,239	1.60	1.51	3,537	2,916
September 2015	10,360	1.65	1.49	16,444	13,497
October 2015	771	1.67	1.58	1,265	1,036
	27,792			52,759	42,351

The above shares were cancelled subsequently after their repurchase. Save as disclosed above, neither the Company nor any of the Company's subsidiaries purchased, repurchased, sold or redeemed any of the Company's shares during the year ended 31 December 2015.

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.

No (2014: 4,519,000) shares have been purchased from the open market pursuant to the Scheme during the year. 3,292,000 (2014: 3,329,000) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:

2015

			Number of awarded shares				
Categories of awardees	**Date of grant** *(Note 1)*	**Fair value per share** *HK$* *(Note 2)*	**Balance as at 1 January 2015**	**Vested during the year**	**Lapsed during the year**	**Balance as at 31 December 2015**	**Vesting period**
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	1,334	(1,334)	–	–	22 January 2013 to 27 March 2015
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 2017
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 31 March 2015
Employees	22 January 2013	2.931	7,334	(7,334)	–	–	22 January 2013 to 27 March 2015
Employees	22 January 2013	2.727	633,333	(583,333)	(50,000)	–	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 2017
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
			13,342,000	(3,292,000)	(50,000)	10,000,000	

34. SHARE-AWARD SCHEME – *CONTINUED*

2014

			Number of awarded shares			
Categories of awardees	Date of grant *(Note 1)*	Fair value per share HK$ *(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 September 2011 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 March 2014
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 2017
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
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 2017
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	

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.

34. SHARE-AWARD SCHEME – *CONTINUED*

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

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

The Group recognised the total expenses of approximately RMB6,116,000 for the year ended 31 December 2015 (2014: RMB11,283,000) in relation to shares granted under the Scheme by the Company.

35. OPERATING LEASES

The Group as lessee

	2015	2014
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases for premises during the year	**310**	337

At 31 December 2015 and 2014, 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 RMB6,490,000 (2014: RMB6,394,000). The properties are expected to generate rental yields of 4.75% (2014: 4.91%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 31 December 2015, the Group had contracted with tenants for the following future minimum lease payments:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**6,526**	6,526
In the second to fifth year inclusive	**10,949**	16,321
	17,475	22,847

36. CAPITAL COMMITMENTS

	2015	2014
	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	**82,121**	89,283

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

	2015	2014
	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

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% (2014: 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 RMB33,559,000 (2014: RMB34,452,000) for the year ended 31 December 2015.

38. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	*Note*	**2015** **RMB'000**	2014 RMB'000
Xingda Xiu Yuan	Provision of hotel and catering services	*(a)*	**4,488**	4,869

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 56 and note 30.

Compensation of key management personnel

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

	2015 **RMB'000**	2014 RMB'000
Short-term benefits	**44,137**	48,074
Post-employment benefits	**165**	132
Share-based payments	**5,289**	9,820
	49,591	58,026

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

(i) Details of the Company's principal subsidiaries as at 31 December 2015 and 2014 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	The British Virgin Islands	USD14,083	100%	Investment holding
Indirectly held by the Company				
Jiangsu Xingda 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 other wires
Shanghai Xingda 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) 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
Xingda Special Cord 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
Shandong Xingda 山東興達鋼簾線有限公司 *(note a)*	PRC	USD75,000,000	51%	Manufacture and distribution 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*

(ii) 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	
		2015	2014	**2015**	2014	**2015**	2014
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司	PRC	**30.46%**	30.46%	**67,953**	133,648	**1,770,311**	1,776,559
Shandong Xingda 山東興達鋼簾線有限公司	PRC	**49%**	–	**(3,358)**	–	**237,617**	–
Individually immaterial subsidiaries with non-controlling interests						**31,240**	7,381
						2,039,168	1,783,940

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.

	Shandong Xingda		Jiangsu Xingda	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**325,131**	–	**4,580,319**	5,483,073
Non-current assets	**637,508**	–	**3,442,319**	3,894,846
Current liabilities	**(477,707)**	–	**(2,210,717)**	(3,668,987)
Equity attributable to owners of the Company	**(247,315)**	–	**(4,041,610)**	(3,932,373)
Non-controlling interests	**(237,617)**	–	**(1,770,311)**	(1,776,559)

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

(ii) – *Continued*

	Shandong Xingda		Jiangsu Xingda	
	Year ended 2015	Year ended 2014	**Year ended 2015**	Year ended 2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**202,518**	–	**5,160,933**	6,322,883
Expenses	**(209,371)**	–	**4,937,843**	(5,884,118)
(Loss) profit for the year	**(6,853)**	–	**223,090**	438,765
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	**(3,495)**	–	**155,137**	305,117
(Loss) profit and total comprehensive income attributable to the non-controlling interests	**(3,358)**	–	**67,953**	133,648
(Loss) profit and total comprehensive (expense) income for the year	**(6,853)**	–	**223,090**	438,765
Net cash inflow from operating activities	**15,383**	–	**625,648**	801,800
Net cash (outflow) inflow from investing activities	**(182,481)**	–	**24,308**	(461,881)
Net cash inflow (outflow) from financing activities	**195,173**	–	**(663,280)**	(212,441)
Net cash inflow (outflow)	**28,075**	–	**(13,324)**	127,478

40. COMPARATIVE FIGURE

Certain comparative figures have been reclassified to conform with current year's presentation.

41. SUBSEQUENT EVENT

On 24 January 2016, the directors of the Company have approved to increase the capital of Shandong Xingda by RMB100,000,000. As the Group holds 51% shareholdings of Shandong Xingda, it has to inject RMB51,000,000 to Shandong Xingda. At the date of this report, the Group has injected RMB30,000,000 into Shandong Xingda.

42. 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:

	2015	2014
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**434,788**	405,976
Amount due from a subsidiary	**653,733**	612,255
	1,088,521	1,018,231
CURRENT ASSETS		
Other receivables	**132**	92
Bank balances and cash	**25,918**	6,167
	26,050	6,259
CURRENT LIABILITIES		
Other payables	**3,503**	5,210
Bank borrowings	**34,966**	15,690
	38,469	20,900
NET CURRENT LIABILITIES	**(12,419)**	(14,641)
NET ASSETS	**1,076,102**	1,003,590
CAPITAL AND RESERVES		
Share capital *(note 33)*	**148,014**	150,251
Reserves	**928,088**	853,339
TOTAL EQUITY	**1,076,102**	1,003,590

The Company's statement of financial position was approved and authorised for issue by the board of directors on 22 March 2016 and are signed on its behalf by:

LIU JINLAN	**ZHANG YUXIAO**
DIRECTOR	DIRECTOR

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

Movement in equity

	Share capital *RMB'000*	Share premium *RMB'000*	Contributed surplus *RMB'000* *(note)*	Capital redemption reserve *RMB'000*	Accumulated (losses) profits *RMB'000*	Shares held under share-award scheme *RMB'000*	Awarded shares compensation reserve *RMB'000*	Total *RMB'000*
At 1 January 2014	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
Profit and total comprehensive income for the year	–	–	–	–	263,609	–	–	263,609
Dividend recognised as distribution *(note 16)*	–	(154,862)	–	–	–	–	–	(154,862)
Shares vested under the share-award scheme	–	–	–	–	–	9,494	(9,494)	–
Repurchase of ordinary shares	(2,237)	(40,114)	–	2,237	(2,237)	–	–	(42,351)
Recognition of equity-settled share–based payments	–	–	–	–	–	–	6,116	6,116
At 31 December 2015	**148,014**	**588,724**	**266,960**	**5,047**	**73,393**	**(22,934)**	**16,898**	**1,076,102**

Note: Contribution surplus represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.

FINANCIAL SUMMARY

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	5,551,400	5,246,909	5,585,206	5,594,925	**4,736,889**
Cost of sales	(4,252,930)	(4,176,812)	(4,199,809)	(4,321,990)	**(3,886,725)**
Gross profit	1,298,470	1,070,097	1,385,397	1,272,935	**850,164**
Other income	80,347	76,914	48,417	35,845	**22,453**
Gain on disposal of available-for-sale investment	–	–	–	–	**131,644**
Government grants	63,954	17,945	27,238	35,871	**29,977**
Selling and distribution expenses	(341,047)	(356,738)	(356,350)	(362,323)	**(376,432)**
Administrative expenses	(231,472)	(223,333)	(269,234)	(272,090)	**(280,902)**
Other gains and losses, net	(81,755)	(85,661)	(47,747)	(86,425)	**(49,827)**
Share of (loss) profit of a joint venture	(1,876)	5,956	2,212	(122)	**(11)**
Finance costs	(95,065)	(111,375)	(64,277)	(48,941)	**(34,235)**
Profit before tax	691,556	393,805	725,656	574,750	**292,831**
Income tax expense	(128,901)	(134,429)	(149,755)	(111,891)	**(53,109)**
Profit for the year	562,655	259,376	575,901	462,859	**239,722**
Profit attributable to:					
Owners of the Company	418,118	188,786	414,810	327,788	**173,754**
Non-controlling interests	144,537	70,590	161,091	135,071	**65,968**
	562,655	259,376	575,901	462,859	**239,722**

	As at 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	10,045,790	9,363,207	9,788,024	10,125,680	**9,484,286**
Total liabilities	(3,755,824)	(3,052,688)	(3,089,902)	(3,161,000)	**(2,321,088)**
	6,289,966	6,310,519	6,698,122	6,964,680	**7,163,198**
Equity attributable to owners of the Company	4,849,021	4,798,984	5,025,496	5,180,740	**5,124,030**
Non-controlling interests	1,440,945	1,511,535	1,672,626	1,783,940	**2,039,168**
	6,289,966	6,310,519	6,698,122	6,964,680	**7,163,198**