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)

2010
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. WU Xiaohui
Mr. ZHOU Mingchen

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

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

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons
As to PRC Law:
Jingtian & Gongcheng

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
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

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

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

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

INVESTOR RELATIONS

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

STOCK CODE

01899

WEBSITE

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

Financial Highlights

	2010 RMB in million	2009 RMB in million	Change
OPERATING RESULTS			
Revenue	**5,430**	3,864	+40.5%
Gross profit	**1,636**	1,182	+38.4%
EBITDA [(1)]	**1,664**	1,177	+41.4%
Profit for the year	**1,055**	725	+45.6%
Profit attributable to owners of the Company	**792**	548	+44.5%
Earnings per share – basic (RMB fen)	**55.49**	39.50	+40.5%
– diluted (RMB fen)	**55.49**	39.36	+41.0%

	2010 RMB in million	2009 RMB in million	Change
FINANCIAL POSITION			
Total assets	**8,520**	7,370	+15.6%
Total liabilities	**2,590**	2,816	-8.0%
Net assets	**5,930**	4,554	+30.2%
Equity attributable to owners of the Company	**4,634**	3,459	+34.0%

	2010	2009
KEY RATIOS		
Gross profit margin [(2)]	**30.1%**	30.6%
EBITDA margin [(3)]	**30.7%**	30.5%
Return on equity [(4)]	**17.1%**	15.8%
Current ratio [(5)]	**2.03**	1.48
Gearing ratio [(6)]	**17.5%**	24.9%
Net debts to equity ratio [(7)]	**8.1%**	34.4%

Notes:

(1) It is arrived at profit for the year before finance costs, income tax expense, depreciation, amortization and loss on fair value adjustment on the convertible bonds.

(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 and convertible bonds) divided by total assets.

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

Chairman's Statement

I am pleased to present the 2010 audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group" or "Xingda").

2010 was a fruitful year for Xingda. Following a series of economic stimulus measures implemented by China's government, China's economy has recovered at a relatively fast pace, thereby creating a favorable operating environment for the industry. Xingda has been able to tap market opportunities and continued to deliver satisfactory results. For the year ended 31 December 2010, the Group's revenue increased by 40.5% to RMB5,430 million while gross profit rose by 38.4% to RMB1,636 million. With the gain in the disposal of 19,500,000 A shares of Aeolus Tyre Co, Ltd realized in 2010, net profit was also up by 45.6% to RMB1,055 million. Profit attributable to owners of the Company in 2010 was RMB792 million, an increase of 44.5% over 2009. Both basic earnings per share and diluted earnings per share was RMB55.49 fen, representing a year-on-year growth of 40.5% and 41.0% respectively.

The Board of Directors of the Company proposed to distribute a final dividend of 15 HK cents per share or approximately RMB12.76 fen per share for the year ended 31 December 2010 (2009: 10.00 HK cents per share or approximately RMB8.81 fen per share).

During the year, Xingda has expanded its business horizontally into the solar power industry, marking a new milestone for the Group. Leveraging our abundant experience and existing advanced technological know-how in production of radial tire cords, we successfully completed trial production of a new product, sawing wire, in 2010 and followed by the mass production commenced in December 2010. Synergies have been achieved due to the resemblances in the production processes of sawing wire and radial tire cord, enabling the Group to share capital resources, enjoy a flexible production schedule and enhance cost efficiency. Seeing the enormous market opportunities, we expect sawing wire to be a new growth driver in the future.

Xingda's endeavors to provide high quality products have been recognized by the accreditations as the qualified supplier of a few renowned global radial tire manufacturers during the year. Meanwhile, Xingda's highly competitive products have also led global customers to reallocate orders from other suppliers. As a result, overseas orders have increased significantly and contributed to the Group's rising profit.

To cope with the greater market demand both locally and overseas on radial tire cord, the Group has commenced construction of the No. 9 factory in the second half of 2009. The first phase has been completed and started operation in the first half of 2010, adding to the production capacity of 85,000 tonnes during the year. The total production capacity for radial tire cord is expected to exceed 500,000 tonnes upon completion of the construction of the factory before early 2012. In 2010, the overall utilization rate was increased to 85% from 77% in 2009.

In September 2010, the Group carried out the first share placement and subscription exercise since its listing in The Stock Exchange of Hong Kong Limited, raising approximately HK$740.70 million. The net proceeds are to be used for enhancing the production facilities and financing the development of new products, as well as for general working capital of the Company, enabling further expansion according to its strategic development plan.

We regret to announce that a fire broke out at the Group's No. 8 factory in Jiangsu Province on 11 February 2011. Fortunately, only parts of the production line were affected and there were no casualties. As the Group has properly insured the production facilities, most of the losses and damage relating to the production equipments will be covered by the insurance policy. The normal operation is expected to be resumed within two months time. We are confident that the loss from the fire will be fully recouped, and all necessary measures will be taken by the Group in a timely manner.

Our employees are invaluable assets to Xingda and therefore the Group has launched a share award scheme in 2009 as an incentive to retain good and dedicated employees. As at 31 December 2010, one-third of the 5,000,000 Xingda shares earmarked for our staff have been awarded to selected employees and the rest is expected to be allocated in the subsequent two years according to their performances.

On behalf of Xingda, I would like to thank our shareholders, customers and suppliers for their trust and support, as well as the management and the employees for their relentless effort and professionalism in contributing to the healthy growth of the Group. We will strive to maximize our presence and profitability in China and overseas in order to strengthen Xingda's market leadership in China, on route to becoming one of the world's leading radial tire cord manufacturers.

Liu Jinlan
Chairman

Shanghai, PRC, 25 March 2011

INDUSTRY OVERVIEW

The thriving economy contributed to the continued growth of the automobile industry in China. According to the statistics of the China Association of Automobile Manufacturers, the country produced approximately 18,264,700 vehicles in 2010, representing a year-on-year growth of 32.4%. China remained as the world's biggest automobile producer in terms of units. The persistent strong demand for automobiles in China continued to drive the growth of radial tire industry in the country.

According to the statistics of the China Association of Automobile Manufacturers, the vehicle population was approximately 78 million in China in 2010, representing a rise of 23.8% against previous year which has spurred a stronger market demand for tire replacement. The size and demand have presented huge potential to radial tire manufacturers and is expected to grow steadily in the future. Xingda is well-positioned to benefit from the anticipated derived growth of the radial tire cord market.

According to the China Rubber Industry Association, the country's total tire output during 2010 rose by 10.5% year-on-year to 420 million units, of which 350 million were radial tires, 20.7% more than the previous year. In October 2010, the tire industry policy (輪胎產業政策) issued by the Ministry of Industry and Information Technology of the PRC stated the radialization rate of passenger cars, heavy and light trucks tires in China should reach 100%, 90% and 85% respectively by 2015. In 2010, radialization rate of passenger car tires grew to almost 100%, while that of truck tires remained approximately 75%, giving it room for further improvement in the coming five years. The rising radialization rate and favorable national policies in China presents immense opportunities to radial tire cord manufacturers.

BUSINESS REVIEW

China's economic expansion and strong growth in export orders of the Group have provided a solid foundation for Xingda's continued development in 2010, contributing to an increase in total sales volume of 45.0% to 442,100 tonnes. Sales volume of radial tire cords increased by 42.6% to 372,300 tonnes, accounting for 84.2% of total sales volume (2009: 85.6%), whereas the sales volume of bead wires increased by 59.4% to 69,800 tonnes, accounting for 15.8% of total sales volume (2009: 14.4%) of the Group.

Radial tire cords for trucks, which generates higher profit, continued to be the Group's major source of revenue with sales volume up by 28.1% to 276,100 tonnes. Moreover, an increase in overseas orders helped to bring a notable rise in sales volume of radial tire cords for passenger cars – growing by 111.0% to 96,200 tonnes. Sales volume derived from radial tire cords for trucks and passenger cars contributed 74.2% and 25.8% respectively to the Group's total sales volume (2009: 82.5% and 17.5%).

Sales Volume	**2010**	2009	Change
	Tonnes	Tonnes	
Radial Tire Cords	**372,300**	261,100	+42.6%
– *For Truck*	***276,100***	*215,500*	*+28.1%*
– *For Passenger Car*	***96,200***	*45,600*	*+111.0%*
Bead Wires	**69,800**	43,800	+59.4%
Total	**442,100**	304,900	+45.0%

China continued to be the Group's key market, spurred by higher radialization rate that contributed to an increase in domestic sales volume of radial tire cords, rising by 32.5% to 323,800 tonnes, and accounting for 87.0% of the Group's total volume of radial tire cords sold (2009: 93.6%). With Xingda's products being accredited by major overseas customers during the year, this led to a significant increase in foreign orders, especially for radial tire cords for passenger cars with sales volume rising by 190.4% to 48,500 tonnes. Successful market expansion further aided overseas sales, which accounted for 13.0% of total sales volume of radial tire cords in 2010 (2009: 6.4%).

Having spent 18 months on research and development and 10 months on the installation of production lines, Xingda commenced mass production of sawing wire in December 2010, and recorded sales volume of 200 tonnes of this new product for the year ended 31 December 2010.

During the year, the Group expanded its production facilities, boosting annual capacity to 430,000 tonnes of radial tire cords (2009: 345,000 tonnes) and 81,000 tonnes of bead wires (2009: 66,000 tonnes). With phase 1 of the No. 9 factory operational in the first half of 2010, production capacity for radial tire cords rose 24.6% to 430,000 tonnes and bead wires increased by 22.7% to 81,000 tonnes. As a result of growing demand for the Group's products, overall utilization rate increased by 8 percentage points to 85% by the end of 2010.

	2010 Production Capacity (Tonnes)	**2010 Utilization Rate**	2009 Production Capacity (Tonnes)	2009 Utilization Rate
Radial Tire Cords	**430,000**	**85%**	345,000	77%
Bead Wires	**81,000**	**84%**	66,000	69%

During the year, Xingda developed 20 new types of radial tire cord, 3 new types of bead wire and 3 types of sawing wire. As at the end of 2010, the Group was offering a comprehensive range of products, including 149 types of radial tire cord, 50 types of bead wire and 3 types of sawing wire to customers (2009: 129 types of radial tire cord and 47 types of bead wire).

FINANCIAL REVIEW

Revenue

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

RMB in million	**2010**	**Proportion**	2009	Proportion	Change (%)
Radial Tire Cords	**5,007**	**92%**	3,608	93%	+38.8
– *For Truck*	***3,865***	***71%***	*3,067*	*79%*	*+26.0*
– *For Passenger Car*	***1,142***	***21%***	*541*	*14%*	*+111.1*
Bead Wires	**423**	**8%**	256	7%	+65.2
Total	**5,430**	**100%**	3,864	100%	+40.5

Having grasped opportunities brought about by the dual development of domestic and overseas markets, the Group's total revenue rose by 40.5% or RMB1,565.8 million to RMB5,430.2 million in 2010. The domestic and overseas markets contributed 87.7% and 12.3% respectively of the Group's total sales revenue (2009: 93.9% and 6.1%).

Gross profit and gross profit margin

Gross profit grew by 38.4% or RMB453.2 million to RMB1,635.6 million in 2010 (2009: RMB1,182.4 million) whereas gross profit margin dipped modestly to 30.1% (2009: 30.6%). The decrease was mainly due to an increase in revenue contributions from radial tire cord for passenger cars, which carries a relatively lower profit margin than that for trucks. During the year, the cost of steel wire rods showed a moderate uptrend and accounted for 55.2% of the Group's cost of sales (2009: 54.1%).

Other income

Other income decreased by RMB21.6 million or 22.5% from RMB95.8 million in 2009 to RMB74.2 million for the year under review. The decrease was attributable to the decrease in discounts received from suppliers fully offset the increase in sales of scraps.

Government grant

The Government grant for the year dropped by 38.8% from RMB53.1 million in 2009 to RMB32.5 million due to the decrease in one-off project-based subsidies and a grant of a recurring subsidy of RMB19.3 million by the local government related to 2010 operations that was actually received in January 2011.

Gain on disposal of available-for-sale investments

The gain on disposal of available-for-sale investments of the Group increased by RMB184.4 million or over 96 times, from RMB1.9 million for 2009 to RMB186.3 million for the year of 2010. The gain was attributable to the gain realized on selling the shares of Aeolus Tyre Co., Ltd in January 2010.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB93.1 million or 52.1% from RMB178.6 million in 2009 to RMB271.7 million. The increase was mainly caused by the corresponding increase in transportation costs and incentive rewards payable to the sales team related to the growth in sales volume.

Administrative Expenses and Other Expenses and Losses

Administrative expenses for 2010 increased by RMB94.3 million or 52.5% to RMB273.9 million when compared to 2009, which was mainly due to the increase in administrative staff costs and benefits, exchange loss and depreciation charges on non-production related fixed assets. Other expenses and losses declined by RMB8.4 million or 16.1% from RMB52.1 million in 2009 to RMB43.7 million in 2010. The decrement was attributable to a decrease in provision for trade receivables partially offset by an increase in research and development expenditure.

Finance costs

Finance costs increased slightly by RMB4.6 million or 8.5% to RMB58.8 million from RMB54.2 million in 2009. The increment was mainly caused by the increase in interest on discounted notes.

Income tax

The Group had an income tax charge of RMB225.2 million with the effective tax rate increased from 16.4% in 2009 to 17.6% in 2010. The effective tax rate increased by approximately 1.2 percentage points, which was mainly due to the increase in income tax rate of a major subsidiary of the Group, Jiangsu Xingda Steel Tyre Cord Co., Ltd upon an expiration of the tax holiday on 1 January 2010.

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2010 increased by RMB330.4 million or 45.6% from RMB725.1 million in 2009 to RMB1,055.5 million. If the gain on disposal of available-for-sale investments from non-operating activities (net of tax), loss on fair value adjustment on the convertible bonds and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2010 would be RMB907.0 million, representing an increase of RMB181.0 million or 24.9%, when compared with the previous year.

Reconciliation of report profit and underlying profit

	2010	2009
	RMB'000	RMB'000
Profit for the year	**1,055,453**	725,143
Gain on disposal of available-for-sale investments from non-operating activities (net of tax)	**(158,389)**	(1,699)
Loss on fair value adjustment on the convertible bonds (note)	**–**	1,033
Net exchange loss arising from non-operating activities	**9,903**	1,490
Underlying profit for the year	**906,967**	725,967
Underlying profit for the year attributable to:		
Owners of the Company	**691,718**	548,846
Non-controlling interests	**215,249**	177,121
	906,967	725,967

Note: Loss on fair value adjustment on the convertible bonds represented the change in the fair value of the convertible bonds as calculated by an independent and recognized international business valuer. The loss on fair value adjustment of the convertible bonds was adjusted in the profit for the previous year as it did not arise from the ordinary course of operation of the Group.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

Bank balances and cash including fixed bank deposits of the Group increased by RMB500.4 million from RMB646.5 million as at 31 December 2009 to RMB1,146.9 million as at 31 December 2010. The increase was due to the cash generated from operating activities of RMB977.2 million and financing activities of RMB81.5 million exceeded the net cash outflows of RMB558.3 million from investing activities.

The bank borrowings were in Renminbi and decreased by RMB342.7 million or 18.7% to RMB1,492.3 million as at 31 December 2010 from RMB1,835.0 million as at 31 December 2009. The bank borrowings carry interest at market rates from 4.37% to 4.86% (2009: 4.37% to 4.86%) and are repayable within two years from 31 December 2010.

The Group's current assets increased by 29.6% to RMB4,404.0 million as at 31 December 2010 from RMB3,398.2 million as at 31 December 2009 and its current liabilities decreased by 5.4% from RMB2,289.4 million as at 31 December 2009 to RMB2,166.9 million as at 31 December 2010. The Group's current ratio (being defined as current assets over current liabilities) was increased from 1.48 times as at 31 December 2009 to 2.03 times as at 31 December 2010. The increase was mainly caused by the increase in bank balances and the decrease in bank borrowings repayable within one year. The gearing ratio which is measured by total debts (bank borrowings) to total assets dropped from 24.9% as at 31 December 2009 to 17.5% as at 31 December 2010 due to an increase in bank balance and decrease in debts.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi and US dollars. Since the sales proceeds in US dollars has been fully used, the slight appreciation of the Renminbi did not have a materially unfavourable effect on the operations of the Group in 2010.

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

CAPITAL EXPENDITURE

For the year ended 31 December 2010, capital expenditure of the Group for property, plant and equipment amounted to RMB865.0 million (2009: RMB874.1 million).

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had made capital commitment of approximately RMB53.4 million (2009: RMB198.0 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 authorized but not contracted for in both years.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2010 and 31 December 2009.

PLEDGE OF ASSETS

As at 31 December 2010, the Group pledged bank deposits of RMB16.4 million to secure its bank borrowings (2009: nil).

SIGNIFICANT INVESTMENTS

The Group had no new significant external investments for the year ended 31 December 2010 and 31 December 2009.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the year ended 31 December 2010 and 31 December 2009.

HUMAN RESOURCES

As at 31 December 2010, the Group had approximately 7,800 (31 December 2009: approximately 7,200) full time employees and all of them were based in China. Total staff costs including directors' remuneration for the year ended 31 December 2010 was approximately RMB385.4 million (2009: approximately RMB280.3 million). The salaries are generally reviewed with reference to the employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the year ended 31 December 2010, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB6.8 million (2009: RMB4.3 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 the 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 accidental and unemployment insurance policies for its employees of different levels.

In 2009, the Board adopted a share award scheme to encourage and retain elite employees to stay with the Group and to provide incentives to achieve performance goals with a view to attaining the objectives of increasing the value of the Group and aligning the interests of selected employees directly to the shareholders of the Company through ownership of shares. Pursuant to the scheme, shares of the Company will be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the relevant selected employees until such shares are vested in the relevant selected employees in accordance with the provisions of the scheme. In 2010, 5,000,000 of the Company's shares were purchased by the trustee in the market. The consideration and other directly attributable incremental costs of the shares purchased under the share award scheme in an aggregate amount of approximately RMB16.1 million were recognized in the reserve of the Company. As at 31 December 2010, one-third of the 5,000,000 shares held under share award scheme have been awarded to selected employees and the rest is expected to be allocated in the subsequent two years.

PROSPECTS

With the introduction of the "Twelfth Five-Year" Plan by the Chinese government, China's economy is expected to continue expanding at a stable pace. Moreover, infrastructure will be further enhanced, with more highways stretching into the countryside and freight and passenger traffic volume remaining on an uptrend. Such developments will spur the entire radial tire cord industry's growth and Xingda will be well-positioned to capitalize on the enormous potential of this market.

Closely monitoring market trends, Xingda had the foresight to successfully develop an important new product with high profitability, specifically, sawing wire. With mass production commencing in December 2010, it is expected that both production and sales volume of sawing wire will be increased significantly in 2011. Due to the similarities in production of its existing products and sawing wire, the Group will benefit from economies of scale, synergies and enhance cost efficiency. In the meantime, China's initiative to reduce carbon emissions by 40-45% by 2020, and the inclusion of renewable energy as one of the seven key emerging industries in the draft "Twelfth Five-Year" Plan for 2011 to 2015, together represent huge potential for the solar energy industry. Xingda will continue to strategically invest and expand in the new energy sector and seek to benefit from an industry that possesses significant prospects for growth.

With the Ministry of Industry and Information Technology of the PRC pushing forward its tire industry policy that aims at increasing the country's radialization rate, Xingda will strive to grasp opportunities that arise and strengthen its leading position in the industry. At the same time, leveraging its excellent reputation which it built abroad during the past few years, the Group will endeavor to enlarge its overseas client portfolio, in order to strengthen its foothold in the global market. Looking into the future, Xingda will adhere to its strategic plan to develop both domestic and global markets, and strive to deliver maximum returns to shareholders.

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 61, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He is also 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 15 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 34, has been an executive Director since August 2005. He is also a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. He is also the sole director of In-Plus Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan*) of 中國人民解放軍 (the People's Liberation Army*) in 2004. In 2009, he graduated from Fudan University with a master's degree in business administration. Mr. Liu has approximately 15 years of experience in the radial tire cord manufacturing industry. He is the son of Mr. Liu Jinlan who is an executive Director of the Company.

Mr. TAO Jinxiang (陶進祥), aged 48, has been an executive Director since August 2005. He is also 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 15 years of experience in the radial tire cord manufacturing industry.

Mr. CAO Junyong (曹俊勇), aged 48, has been an executive Director since August 2005. He is also 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 July 2005 and is currently a vice president. He is responsible for procurement. Mr. Cao joined CCB in July 1987 and had served in various positions in different branches. Mr. Cao was the branch manager of a branch of CCB in Nanjing between December 2004 and July 2005 and the deputy general manager of the Business Division of the Jiangsu branch of CCB between January 2001 and December 2004. He was also the deputy branch manager and then branch manager of the Taizhou branch of CCB from December 1997 to September 1998, and then from September 1998 to January 2001, respectively. Mr. Cao graduated from 中國人民大學 (Renmin University of China*) with a bachelor's degree in economics in 1987. He obtained a doctor's degree in agricultural economics management from 南京農業大學 (Nanjing Agricultural University*) in December 2006. Mr. Cao is a registered accountant (non-practicing member of The Chinese Institute of Certified Public Accountants). Mr. Cao has more than 18 years of experience in the banking industry.

Mr. ZHANG Yuxiao (張宇曉), aged 41, has been an executive Director and Chief Financial Officer of the Company since August 2005. He is also 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 10 years of experience in the radial tire cord manufacturing industry.

NON-EXECUTIVE DIRECTORS

Ms. WU Xiaohui (鄔小蕙), aged 50, has been a non-executive Director since August 2005. Ms. Wu has been the Chief Financial Officer of China National Cereals, Oils and Foodstuffs Import and Export Corporation ("COFCO") since February 2002 and has also been the general manager of the COFCO Financial Business Centre since October 2004. She joined COFCO in August 1986 and had served in various positions. She was the director of the Finance Department of COFCO from July 2000 to February 2002. She currently serves as a supervisor of Industrial Bank Co. Ltd (a company listed on the Shanghai Stock Exchange). In 2009, she resigned as a director of 中信證券有限公司 (CITIC Securities Brokerage Limited*) (a company listed on the Shanghai Stock Exchange). She graduated from 首都經貿大學 (the Capital University of Economics and Business*) with a master's degree in economics in July 2002 and from 中國人民大學一分校 (The First Branch Campus of Renmin University of China*) with a bachelor's degree in economics in July 1986. Ms. Wu has over 23 years of experience in finance. She has been nominated to serve on the Board to represent Surfmax Investments, LLC.

Mr. ZHOU Mingchen (周明臣), aged 70, has been a non-executive Director since August 2005. Mr. Zhou was the chairman of COFCO and COFCO (Hong Kong) Limited, and a director of COFCO International Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")) and Top Glory International Holdings Limited (a company previously listed on the Main Board of the Hong Kong Stock Exchange). He is an independent Director of 南方建材股份有限公司 (Southern Building Material Co., Ltd.*), a company listed on the Shenzhen Stock Exchange. Mr. Zhou graduated from the University of International Business and Economics in Beijing and has more than 33 years of experience in international trade and management. He was also a vice-president of China National Metals & Minerals Import & Export Corporation and president of China National Instruments Import & Export Corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 54, 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 SilverNet Group Limited (now known as Enerchina Holdings Limited), a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo also serves currently as an independent non-executive director of Good Friend International Holdings Inc., Li Ning Company Limited, Midland Holdings Limited, Richfield Group Holdings Limited and Weichai Power Company Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). From September 2006 to December 2009, Mr. Koo served as an independent non-executive director of China Communications Construction Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange); and from January 2007 to October 2009, he was the Vice Chairman, Chief Financial Officer, Treasurer and Principal Accounting Officer of 2020 ChinaCap Acquirco, Inc. (a company listed on NYSE Alternext US). Mr. Koo graduated with a bachelor's degree in business administration from University of California, Berkeley in the United States of America and is a certified public accountant.

Mr. William John SHARP, aged 69, has been an independent non-executive Director since August 2005. He is a director of Ferro Corporation (FOE), a manufacturer of performance materials listed on the NYSE. Mr. Sharp also serves currently as an independent director of Exceed Co Ltd (EDS) (a company listed on the NASDAQ). He joined The Goodyear Tire & Rubber Company in 1964 and was the President of its North American Tire group between 1999 and 2000. Prior to that, he was the President of its Global Support Operations between 1996 and 1999, and the President of Goodyear Europe from 1992 to 1996. Mr. Sharp graduated with a bachelor's degree of science, majoring in industrial engineering, from The Ohio State University in 1963 and has more than 43 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 67, has been an independent non-executive Director since August 2005. She has served in various positions in Beijing Research and Design Institute of Rubber Industry since 1965. She was the deputy dean in charge of technology research and development between 1995 and 2003. She was also the person in charge of the "高速、低滾動阻力子午線輪胎系列產品生產技術開發" (Development of Production Techniques for Radial Tyre Products of High Speed and Low Rolling Resistance*) project, one of the "九五"國家重點科技攻關項目 (Key Technologies Research and Development Program for the Ninth "Five-Year Plan"*) in 1995. Ms. Xu has been the deputy chairman of the China Rubber Industry Association since 2004. She has been the head of 骨架材料專業委員會(the skeleton materials committee*) and 橡膠助劑專業委員會(the rubber chemicals committee*) since 2002 and 2001, respectively. From December 2006 to August 2007, she was a director of 青島高校軟控股份有限公司 (Qingdao Mesnac Co., Ltd.*), a company listed on the Small & Medium Enterprise Board of the Shenzhen Stock Exchange. Since May 2007, she has served as an independent director of China Sunsine Chemical Holdings Ltd., a company listed on the Singapore Exchange Limited. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 43 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 35, 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 11 years of experience in finance, accounting and auditing. Mr. Cheng worked in the accounting firms in Hong Kong from July 1998 to June 2008, before joining the Company. He has been a member of the Hong Kong Institute of Certified Public Accountants since 19 July 2005. Mr. Cheng graduated from The Hong Kong Polytechnic University with the degree of Bachelor of Arts in Accountancy in 1998.

** denotes an English translation of a Chinese name*

The directors of the Company (where the context permits and where relevant, including Mr. Wu Xinghua who has retired on 20 May 2010 and Mr. Lu Guangming George who has resigned on 21 December 2010) ("Directors") present their annual report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of radial tire cords and bead wires. The Company acts as an investment holding company. The principal activities of the principal subsidiaries of the Company are set out in note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 38 and 39 of the annual report.

A final dividend of 10.00 HK cents per share for the year ended 31 December 2009 was paid to the shareholders of the Company during the year ended 31 December 2010.

The Board has recommended the payment of a final dividend of 15.00 HK cents (approximately RMB12.76 fen) per share for the financial year ended 31 December 2010 to the shareholders whose names appear on the register of members of the Company on 27 May 2011. The final dividend will be payable on 9 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 May 2011 to Friday, 27 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Friday, 27 May 2011, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 23 May 2011.

DONATION

During the year, the Group made the charitable donations amounting to RMB1,500,000.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and the prospectus of the Company dated 8 December 2006 (the "Prospectus"), is set out on pages 97 and 98 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

USE OF PROCEEDS

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

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

Up to 31 December 2010, the Group has utilised approximately HKD681 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus *HKD'000*	**Actual uses of funds during the year ended 31 December 2010** *HKD'000*	**Balance of net proceeds as at 31 December 2010** *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	4,529	65,471
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	680,887	406,113

The remaining amount of approximately HKD406 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus.

On 2 September 2010, the Company entered into a placing and subscription agreement in relation to, among other things, a placing and top-up arrangement involving the placing of an aggregate of up to 175,341,000 existing shares of the Company at the placing price of HKD5.50 per share and the top-up subscription by certain shareholders of the Company of up to an aggregate of 138,600,000 new shares of the Company at the subscription price of HKD5.50 per share. The placing of 175,341,000 existing shares of the Company was completed and 138,600,000 new shares of the Company were duly issued in accordance with the terms of the said placing and subscription agreement in September 2010. The net proceeds of approximately HKD740,700,000 raised in the said subscription will be used for enhancing the production facilities of the Group, financing the development of new products of the Group and general working capital of the Company.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB1,432.6 million as at 31 December 2010 (2009: RMB969.3 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association (the "Articles of Association"), dividends shall be distributed out of the retained profits or other reserves, including share premium and contributed surplus, of the Company.

BANK BORROWINGS AND CONVERTIBLE BONDS

Particulars of bank borrowings and convertible bonds of the Group as at 31 December 2010 are set out in notes 29 and 30 to the financial statements and the Management Discussion and Analysis Section of this annual report.

DIRECTORS

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

Executive Directors:

Mr. LIU Jinlan *(Chairman)*
Mr. LIU Xiang
Mr. TAO Jinxiang
Mr. WU Xinghua (Retired on 20 May 2010)
Mr. CAO Junyong
Mr. ZHANG Yuxiao

Non-executive Directors:

Mr. LU Guangming George (Resigned on 21 December 2010)
Ms. WU Xiaohui
Mr. ZHOU Mingchen

Independent Non-executive Directors:

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

Pursuant to Article 87 of the Articles of Association, Mr. LIU Xiang, Mr. CAO Junyong, Mr. ZHOU Mingchen and Mr. KOO Fook Sun, Louis will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The biographical details of the Directors and senior management of the Group are set out on pages 13 to 15 of this annual report.

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 2010, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies ("Model Code"), were as follows:

(1) Long positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 31 December 2010
Liu Jinlan	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO (note 1)	564,091,000	36.99%
Liu Xiang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO (note 2)	564,091,000	36.99%
Tao Jinxiang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO (note 3)	564,091,000	36.99%
Zhang Yuxiao	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO (note 4)	564,091,000	36.99%
Koo Fook Sun, Louis	Beneficial owner	17,000	0.00%

Notes:

1. 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 2010, 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 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 2010, 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 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 2010, 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 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 2010, Power Aim Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

(2) Long position in shares and underlying shares of the associated corporation of the Company

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 31 December 2010
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 31 December 2010, 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

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 2010 are set out in note 33 to the financial statements.

DEED OF NON-COMPETITION

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

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

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

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

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

As at 31 December 2010, 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 2010
Great Trade Limited	Beneficial owner	238,348,000	15.63%
In-Plus Limited	Beneficial owner	135,064,000	8.86%
Perfect Sino Limited	Beneficial owner	111,229,000	7.29%
Hang Youming	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO (note 1)	564,091,000	36.99%
Lu Guangming George	Interests of controlled corporations (note 2)	83,187,600	5.46%
E-Star Corporation	Beneficial owner (note 3)	112,361,400	7.37%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation (note 3)	112,361,400	7.37%
COFCO (BVI) Limited	Interest of a controlled corporation (note 3)	112,361,400	7.37%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation (note 3)	112,361,400	7.37%

Notes:

1. 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 2010, Wise Creative Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC). As at 31 December 2010, 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 2010. For the purpose of Part XV of the SFO, Mr. Lu Guangming George was deemed to be interested in the shares held by Surfmax Investments, LLC and Win Wide International Ltd. respectively.

3. COFCO Corporation (formerly known as COFCO Limited) owned 100% of the issued share capital of COFCO (BVI) Limited, which in turn owned 100% of the issued share capital of COFCO (BVI) No. 88 Limited, which in turn owned 100% of the issued share capital of E-Star Corporation. As at 31 December 2010, E-Star Corporation held 112,361,400 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

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 2010 which are required to be recorded in the register maintained under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

EMOLUMENT POLICY

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

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

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

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

HIGHEST PAID INDIVIDUALS

The relevant information of the five individuals with the highest remuneration in the Group for the year ended 31 December 2010 is disclosed in note 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 44% of the Group's total revenue for the year and the largest customer contributed approximately 13% of the Group's total revenue. The five largest suppliers represented approximately 75% of the Group's total purchases for the year and the largest supplier represented approximately 50% of the Group's total purchases.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
LIU Jinlan
Chairman

25 March 2011

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010, except for the deviation from code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

THE BOARD

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

During the year ended 31 December 2010, one executive Director, Mr. Wu Xinghua, has retired and one non-executive Director, Mr. Lu Guangming George, has resigned. The Board currently comprises ten members, including five executive Directors, two non-executive Directors and three independent non-executive Directors. The biographical details of the Directors are set out on pages 13 to 15 of the annual report. Mr. Liu Jinlan, being the chairman of the Board and an executive Director, is the father of Mr. Liu Xiang, an executive Director. Save for the aforesaid, there is no financial, business, family or other material or relevant relationships among the members of the Board.

The executive Directors are responsible for business management of the Group, formulation and implementation of business strategies, daily business decision and co-ordination of overall business operation. Mr. Liu Jinlan and the other three executive Directors, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao, have many years of experience in the radial tire cord manufacturing industry. The remaining executive Director, Mr. Cao Junyong who has worked with commercial banks for many years, strengthen both financial and treasury operations of the Company.

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

The Board will meet regularly at least four times a year at approximately quarterly intervals. For the year ended 31 December 2010, the Board held four meetings to discuss and approve various important matters. The table below sets out the attendance of each Director at the meetings of the Board and other Board committees held during the year ended 31 December 2010:

	Board	Audit Committee	Remuneration and Management Development Committee	Nomination Committee	Executive Committee	Manufacturing and Operations Committee	Investment and International Development Committee
Executive Directors							
Mr. LIU Jinlan	4/4	N/A	N/A	0/0	1/1	1/1	1/1
Mr. LIU Xiang	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Mr. TAO Jinxiang	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. WU Xinghua (retired on 20 May 2010)	1/4 (Note)	N/A	N/A	N/A	N/A	N/A	1/1
Mr. CAO Junyong	4/4	N/A	N/A	N/A	1/1	1/1	N/A
Mr. ZHANG Yuxiao	4/4	N/A	N/A	N/A	1/1	N/A	1/1
Non-executive Directors							
Mr. LU Guangming George (resigned on 21 December 2010)	3/4 (Note)	N/A	N/A	0/0	1/1	1/1	1/1
Ms. WU Xiaohui	3/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. ZHOU Mingchen	4/4	N/A	N/A	0/0	N/A	N/A	N/A
Independent non-executive Directors							
Mr. KOO Fook Sun, Louis	4/4	3/3	3/3	N/A	N/A	N/A	N/A
Mr. William John SHARP	4/4	3/3	3/3	N/A	N/A	N/A	N/A
Ms. XU Chunhua	4/4	2/3	N/A	N/A	N/A	N/A	N/A

Note: Three Board meetings were held after the retirement of Mr. Wu Xinghua as a Director on 20 May 2010 and one Board meeting was held after the resignation of Mr. Lu Guangming George as a Director on 21 December 2010.

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

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

The Company has arranged for appropriate Directors' and officers' liability insurance throughout the year ended 31 December 2010 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.

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

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

Pursuant to Article 87 of the Articles of Association of the Company, one-third of the Directors shall retire from office by rotation, and shall be eligible for re-election, at each annual general meeting. Mr. Liu Xiang, Mr. Cao Junyong, Mr. Zhou Mingchen and Mr. Koo Fook Sun, Louis will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BOARD COMMITTEES

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

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee had three meetings during the year ended 31 December 2010. During the meetings held, the Audit Committee had performed the following work:

- reviewing the audited financial statements for the year ended 31 December 2009 and the unaudited financial statements for the six months ended 30 June 2010;
- 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 2010; and
- monitoring the measures taken by the management to improve the Group's internal control systems.

On 24 March 2011, 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 2010 as well as the management letter issued by the external auditor for the annual audit for the year ended 31 December 2010.

Remuneration and Management Development Committee

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

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

The Remuneration Committee met three times during the year ended 31 December 2010. A summary of work performed by the Remuneration Committee during the year is set out below:

- consultation with the chairman of the Board in respect of its recommendations in determining the remuneration of the executive Directors and senior management of the Group for the year ended 31 December 2010;
- evaluating and making recommendations to the Board on the remuneration of the Directors and senior management of the Group for the year ended 31 December 2010 with reference to the remuneration package of the Board in 2009 and other relevant information; and
- approving the granting of share awards to the employees of the Group under the share award scheme of the Company and the vesting of the relevant shares in respect of such awards.

Subsequent to the year 2010, the Remuneration Committee held another meeting on 24 March 2011. At such meeting, the Remuneration Committee:

- proposed to engage an external consultant to conduct a study for the purpose of determining the remuneration of the directors and senior management of the Group for the year 2011;
- considered the performance of the executive Directors and the Group and the total remuneration and compensation of the executive Directors for the year 2010; and
- resolved that the total remuneration and compensation of the executive Directors paid for the year ended 31 December 2010 was approved, ratified and recommended to the Board.

Nomination Committee

The Company established the Nomination Committee on 23 August 2005. The major roles and functions of the Nomination Committee are to evaluate the credentials of the candidates for directorship, to make recommendations to the Board regarding candidates to fill vacancies on the Board and to ensure that no Director or any of his associates is involved in approving his/her or any of his/her associates' nomination. The Nomination Committee consists of two Directors, namely Mr. Liu Jinlan, an executive Director, and Mr. Zhou Mingchen, a non-executive Director. The chairman of the Nomination Committee is Mr. Zhou Mingchen. Mr. Lu Guangming George ceased to be a member of the Nomination Committee upon his resignation as a Director on 21 December 2010. The Nomination Committee did not hold any meeting during the year ended 31 December 2010.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship with reference to the selection guidelines which include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills. The Nomination Committee also considers referrals and engagement of external recruitment professionals when necessary and makes recommendations to the Board for selection and approval. There was no nomination of directors to fill Board vacancies in the year ended 31 December 2010.

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 three Directors, namely Mr. Liu Jinlan, Mr. Zhang Yuxiao and Mr. Cao Junyong. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2010. Mr. Lu Guangming George, ceased to be a member of the Executive Committee upon his resignation as a Director on 21 December 2010.

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 four Directors, namely Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Cao Junyong. The chairman of the Manufacturing and Operations Committee is Mr. Liu Jinlan. Mr. Lu Guangming George ceased to be a member of the Manufacturing and Operations Committee upon his resignation as a Director on 21 December 2010. The Manufacturing and Operations Committee had one meeting during the year ended 31 December 2010.

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 was Mr. Lu Guangming George, who has resigned as a Director on 21 December 2010 and has since then ceased to be a member of the Investment and International Development Committee. A new chairman will be appointed before the next meeting of the committee to be held in year 2011. Another former member of the Investment and International Development Committee, Mr. Wu Xinghua, ceased to be a member of the committee upon his retirement on 20 May 2010. The Investment and International Development Committee had one meeting during the year ended 31 December 2010.

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 2010, 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 2010, 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 36 and 37 of this annual report.

AUDITORS' REMUNERATIONS

For the year ended 31 December 2010, the Group paid approximately RMB1,521,000 and RMB292,000 to the external auditors in respect of audit services and non-audit services, respectively. The non-audit services provided by the external auditor during the year was performing review on the interim financial statements of the Group.

INTERNAL CONTROL

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2010.

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, the company secretary 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 2010, 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.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 96, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	8	**5,430,156**	3,864,409
Cost of sales		**(3,794,566)**	(2,682,026)
Gross profit		**1,635,590**	1,182,383
Other income	9	**74,235**	95,771
Government grants	10	**32,451**	53,102
Selling and distribution expenses		**(271,670)**	(178,575)
Administrative expenses		**(273,908)**	(179,581)
Other expenses and losses	11	**(43,671)**	(52,102)
Finance costs	12	**(58,762)**	(54,176)
Gain on disposal of available-for-sale investments		**186,340**	1,942
Loss on fair value adjustment on the convertible bonds		**–**	(1,033)
Profit before tax		**1,280,605**	867,731
Income tax expense	13	**(225,152)**	(142,588)
Profit for the year	14	**1,055,453**	725,143
Other comprehensive income			
Fair value (loss) gain on available-for-sale investments		**(22,895)**	211,177
Reclassification adjustment upon disposal of available-for-sale investments		**(186,340)**	(1,942)
Deferred tax liability on recognition of fair value gain on available-for-sale investments released upon disposal		**31,385**	–
Deferred tax liability on recognition of fair value gain on available-for-sale investments		**–**	(31,385)
Total other comprehensive (expense) income for the year (net of tax)		**(177,850)**	177,850
Total comprehensive income for the year		**877,603**	902,993

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTE	2010 RMB'000	2009 RMB'000
Profit for the year attributable to:			
Owners of the Company		**791,959**	547,504
Non-controlling interests		**263,494**	177,639
		1,055,453	725,143
Total comprehensive income attributable to:			
Owners of the Company		**668,282**	671,181
Non-controlling interests		**209,321**	231,812
		877,603	902,993
Earnings per share	17		
Basic (RMB fen)		**55.49**	39.50
Diluted (RMB fen)		**55.49**	39.36

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,709,682**	3,187,656
Prepaid lease payments	19	**247,643**	232,034
Investment properties	20	**122,000**	119,300
Available-for-sale investments	21	**–**	307,320
Deferred tax assets	22	**14,101**	–
Deposits paid for purchase of property, plant and equipment		**22,546**	125,242
		4,115,972	3,971,552
CURRENT ASSETS			
Prepaid lease payments	19	**5,632**	4,921
Inventories	23	**449,805**	430,904
Trade and other receivables	24	**2,785,357**	2,315,835
Pledged bank deposits	25	**16,387**	–
Fixed bank deposits	25	**29,500**	–
Bank balances and cash	25	**1,117,355**	646,544
		4,404,036	3,398,204
CURRENT LIABILITIES			
Trade and other payables	26	**1,001,932**	877,550
Amount due to a director	27	**48**	48
Amount due to a related company	28	**2,328**	1,284
Tax payable		**70,338**	75,546
Bank borrowings – due within one year	29	**1,092,259**	1,335,000
Convertible bonds	30	**–**	–
		2,166,905	2,289,428
NET CURRENT ASSETS		**2,237,131**	1,108,776
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,353,103**	5,080,328

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	–	15,515
Bank borrowings – due after one year	29	**400,000**	500,000
Government grants	31	**23,040**	10,500
		423,040	526,015
NET ASSETS		**5,930,063**	4,554,313
CAPITAL AND RESERVES			
Share capital	32	**150,999**	139,091
Reserves		**4,482,656**	3,319,935
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**4,633,655**	3,459,026
NON-CONTROLLING INTERESTS		**1,296,408**	1,095,287
TOTAL EQUITY		**5,930,063**	4,554,313

The consolidated financial statements on pages 38 to 96 were approved and authorised for issue by the Board of Directors on 25 March 2011 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 2010

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Capital contribution reserve RMB'000 (note b)	Statutory common reserve RMB'000 (note c)	Investment revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Shares held under share award scheme RMB'000	Awards share compensation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	139,091	1,215,899	283,352	(130,150)	230,003	–	2,062	1,145,342	–	–	2,885,599	871,675	3,757,274
Profit for the year	–	–	–	–	–	–	–	547,504	–	–	547,504	177,639	725,143
Fair value gain on available-for-sale investments	–	–	–	–	–	146,853	–	–	–	–	146,853	64,324	211,177
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	–	(1,351)	–	–	–	–	(1,351)	(591)	(1,942)
Deferred tax liability on recognition of fair value gain on available-for-sale investments	–	–	–	–	–	(21,825)	–	–	–	–	(21,825)	(9,560)	(31,385)
Total other comprehensive income for the year	–	–	–	–	–	123,677	–	–	–	–	123,677	54,173	177,850
Total comprehensive income for the year	–	–	–	–	–	123,677	–	547,504	–	–	671,181	231,812	902,993
Appropriations	–	–	–	–	72,440	–	–	(72,440)	–	–	–	–	–
Dividend recognised as distribution (note 16)	–	(97,754)	–	–	–	–	–	–	–	–	(97,754)	–	(97,754)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(8,200)	(8,200)
At 31 December 2009	139,091	1,118,145	283,352	(130,150)	302,443	123,677	2,062	1,620,406	–	–	3,459,026	1,095,287	4,554,313

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Capital contribution reserve RMB'000 (note b)	Statutory common reserve RMB'000 (note c)	Investment revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Shares held under share award scheme RMB'000	Awards share compensation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Profit for the year	–	–	–	–	–	–	–	791,959	–	–	791,959	263,494	1,055,453
Fair value loss on available-for-sale investments	–	–	–	–	–	(15,921)	–	–	–	–	(15,921)	(6,974)	(22,895)
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	–	(129,581)	–	–	–	–	(129,581)	(56,759)	(186,340)
Deferred tax liability on recognition of fair value gain on available-for-sale investments released upon disposal	–	–	–	–	–	21,825	–	–	–	–	21,825	9,560	31,385
Total other comprehensive income for the year	–	–	–	–	–	(123,677)	–	–	–	–	(123,677)	(54,173)	(177,850)
Total comprehensive income for the year	–	–	–	–	–	(123,677)	–	791,959	–	–	668,282	209,321	877,603
Shares issued	11,908	642,996	–	–	–	–	–	–	–	–	654,904	–	654,904
Issue costs of new ordinary shares	–	(16,931)	–	–	–	–	–	–	–	–	(16,931)	–	(16,931)
Appropriations	–	–	–	–	101,684	–	–	(101,684)	–	–	–	–	–
Dividend recognised as distribution (note 16)	–	(122,122)	–	–	–	–	–	–	–	–	(122,122)	–	(122,122)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(8,200)	(8,200)
Purchase of shares for the purpose of share award scheme	–	–	–	–	–	–	–	–	(16,130)	–	(16,130)	–	(16,130)
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	5,188	(5,188)	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	6,626	6,626	–	6,626
At 31 December 2010	**150,999**	**1,622,088**	**283,352**	**(130,150)**	**404,127**	**-**	**2,062**	**2,310,681**	**(10,942)**	**1,438**	**4,633,655**	**1,296,408**	**5,930,063**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

Note:

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**1,280,605**	867,731
Adjustments for:		
Depreciation and amortisation	**325,108**	254,408
Interest income	**(3,031)**	(13,872)
Gain on disposal of available-for-sale investments	**(186,340)**	(1,942)
Decrease in fair value upon transfer of property, plant and equipment to investment properties	**–**	5,524
Gain on fair value change on investment properties	**(2,700)**	(3,810)
Loss on disposal of property, plant and equipment	**11,833**	3,503
Net impairment loss recognised on trade and other receivables	**17,070**	35,279
Finance costs	**58,762**	54,176
Government grants	**–**	(900)
Loss on fair value adjustment on the convertible bonds	**–**	1,033
Exchange gain arising on the convertible bonds	**–**	(17)
Operating cash flows before movements in working capital	**1,501,307**	1,201,113
(Increase) decrease in inventories	**(18,901)**	80,081
Increase in trade and other receivables	**(486,592)**	(825,307)
Increase in trade and other payables	**205,820**	268,615
Increase in government grants	**12,540**	10,500
Increase in amount due to related company	**1,044**	457
Decrease in amount due to non-controlling interests	**–**	(1,718)
Recognition of equity-settled share-based payment	**6,626**	–
Purchase of shares for the purpose of share award scheme	**(16,130)**	–
Cash generated from operations	**1,205,714**	733,741
Income tax paid	**(228,591)**	(116,045)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**977,123**	617,696
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(796,532)**	(715,343)
Deposits paid for purchase of property, plant and equipment	**(22,546)**	(125,242)
Additions of prepaid lease payments	**(22,132)**	(43,761)
(Increase) decrease in pledged bank deposits	**(16,387)**	33,880
Proceeds on disposal of available-for-sale investment	**284,425**	2,442
Proceeds on disposal of property, plant and equipment	**11,819**	1,207
Interest received	**3,031**	13,872
Purchase of investment properties	**–**	(88,135)
NET CASH USED IN INVESTING ACTIVITIES	**(558,322)**	(921,080)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
FINANCING ACTIVITIES		
Repayment of bank loans	**(1,785,000)**	(2,421,881)
Dividend paid	**(122,122)**	(97,754)
Interest paid	**(83,400)**	(64,773)
Dividends paid to non-controlling interests	**(8,200)**	(8,200)
New bank loans raised	**1,442,259**	3,139,142
Proceeds from issue of shares	**654,904**	–
Issue costs of new ordinary shares	**(16,931)**	–
Payment for redemption of convertible bonds	**–**	(42,218)
Interest paid on the convertible bonds	**–**	(359)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**81,510**	503,957
NET INCREASE IN CASH AND CASH EQUIVALENTS	**500,311**	200,573
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**646,544**	445,971
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**1,146,855**	646,544
Represented by:		
Fixed bank deposits	**29,500**	–
Bank balances and cash	**1,117,355**	646,544
	1,146,855	646,544

1. GENERAL

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

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

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

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

New and revised Standards and Interpretations applied in the current year

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

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the adoption of the new and revised IFRSs in the current year had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IRFRSs") – continued

Amendments to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases and concluded that all leasehold land classified as operating lease did not quality for finance lease classification therefore no adjustment is required.

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IRFRSs") – continued

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 presentation 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. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company ("Directors") anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

The amendments to IAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to IAS 12 may not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

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

Revenue from the sale of goods is recognised when 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 at cost less subsequent accumulated depreciation and accumulated impairment loss, if any.

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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 their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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. 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, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, for which the commencement date for capitalisation is on or after 1 January 2009 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. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Research and development expenditure

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- 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; or
- the disappearance of an active market for the financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets *– continued*

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.

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 will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 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.

Financial liabilities

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

Key sources of estimation uncertainty

The following 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 2010, a deferred tax asset of RMB14,776,000 (2009: RMB15,870,000) 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. 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 2010, the carrying amount of trade receivable is RMB1,512,199,000, net of allowance for doubtful debts of RMB37,816,000 (31 December 2009: carrying amount of RMB1,077,323,000, net of allowance for doubtful debts of RMB59,170,000).

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2010 **RMB'000**	2009 RMB'000
Financial assets		
Available-for-sale investments	**–**	307,320
Loans and receivables at amortised cost (including cash and cash equivalents)	**3,705,040**	2,719,567
Financial liabilities		
Liabilities at amortised cost	**2,338,526**	2,600,748

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 22.2% (2009: 25.0%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 12.9% (2009: 13.3%) of costs are denominated in currencies other than the functional currency of the group entity.

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

Foreign currency sensitivity

The following details the Group's sensitivity to a 5% (2009: 3%) increase and decrease in RMB against the relevant foreign currencies. 5% (2009: 3%) 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 5% (2009: 3%) 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 5% (2009: 3%) and all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately RMB56,351,000 (2009: RMB13,286,000).

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

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

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 29 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

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

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 2010.

A 75 basis points (2009: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 75 basis points (2009: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB5,138,000 (2009: decrease/increase by approximately RMB1,700,000).

The management adjusted the sensitivity rate from 25 basis points to 75 basis points for assessing interest rate risk after considering the impact of the changes in the interest rate determined by the People's Bank of China.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Market risk – continued

(iii) Equity price risk on available-for-sale investments

The Group was exposed to equity price risk through its available-for-sale investments for the year ended 31 December 2009 which the fair values were determined mainly based on the market bid price of the investments. The Group monitored regularly the price risk and considered hedging the risk exposure should the need arise.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

Available-for-sale investments

	Increase (decrease) in investment revaluation reserve for the year 2009 RMB'000
Change in market bid price of available-for-sale investments	
Increased by 20%	61,464
Decreased by 20%	(61,464)

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The Group does not have any significant concentration of credit risk. Trade receivables consist of a larger number of customers, spread across diverse geographical areas.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised banking facilities of approximately RMB1,607,741,000 (2009: RMB865,000,000).

Liquidity risk tables

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

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

At 31 December 2010

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

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity risk tables – *continued*

At 31 December 2009

	Weighted average interest rate %	Less than 30 days RMB'000	31 – 60 days RMB'000	61 – 90 days RMB'000	91 – 360 days RMB'000	Over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and other payables	–	764,416	–	–	–	–	764,416	764,416
Amount due to a director	–	48	–	–	–	–	48	48
Amount due to a related company	–	1,284	–	–	–	–	1,284	1,284
Bank borrowings	3.99	30,100	50,333	222,195	1,059,307	547,880	1,909,815	1,835,000
		795,848	50,333	222,195	1,059,307	547,880	2,675,563	2,600,748

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

c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

6. FINANCIAL INSTRUMENTS – continued

c. Fair value – continued

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that were measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value was observable for the year ended 31 December 2009.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets				
Listed equity securities	307,320	–	–	307,320

There were no transfer between Level 1 and 2 for the year ended 31 December 2009.

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

Revenue from major products

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

	Year ended	
	2010	2009
	RMB'000	RMB'000
Radial Tire Cord		
– For Truck	**3,865,043**	3,067,282
– For Passenger Car	**1,141,567**	540,901
Bead Wire	**423,546**	256,226
	5,430,156	3,864,409

Geographical information

The Group's revenue from operations from external customers by geographical location of the goods delivered are detailed below:

	2010	2009
	RMB'000	RMB'000
The PRC (country of domicile)	**4,762,888**	3,630,611
North America	**307,003**	124,095
Asia (excluding the PRC)	**197,628**	89,351
Europe	**103,976**	10,521
South America	**55,140**	8,849
Africa	**3,521**	982
	5,430,156	3,864,409

7. SEGMENT INFORMATION – continued

Information about major customers

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

	2010	2009
	RMB'000	RMB'000
Customer 1	**689,743**	452,499
Customer 2	**544,768**	458,954

8. REVENUE

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

9. OTHER INCOME

	2010	2009
	RMB'000	RMB'000
Interest income earned on bank balances and bank deposits	**3,031**	13,872
Sales of scrap materials	**53,335**	41,283
Cash discounts received on early settlement of trade payables	**4,594**	27,975
Gain on fair value change of investment properties	**2,700**	3,810
Sundry income	**10,575**	8,831
	74,235	95,771

10. GOVERNMENT GRANTS

Government grants represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products during the years ended 31 December 2010 and 2009. For the year ended 31 December 2009, government grants where there were specific conditions attached to the grants, RMB900,000 were recognised by the Group (2010: Nil) in the consolidated statement of comprehensive income when it fulfilled all the conditions specified in the grant notice. For the government grants that do not have any specific conditions attached, an amount of RMB32,451,000 (2009: RMB52,202,000) was recognised in the consolidated statement of comprehensive income when the grants were received.

11. OTHER EXPENSES AND LOSSES

	2010 RMB'000	2009 RMB'000
Research and development expenditure	**26,601**	11,299
Impairment loss recognised on trade and other receivables	**17,070**	35,279
Loss on fair value change upon transfer of property, plant and equipment to investment properties	**–**	5,524
	43,671	52,102

12. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on:		
Bank loans wholly repayable within five years	**76,275**	64,600
Less: amounts capitalised	**(24,638)**	(10,597)
	51,637	54,003
Note receivables discounted	**7,125**	173
	58,762	54,176

13. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
The charge comprises:		
Current tax		
Current year	**223,921**	146,919
Overprovision in prior year	**(538)**	(1,066)
Deferred taxation (note 22)	**1,769**	(3,265)
	225,152	142,588

13. INCOME TAX EXPENSE – continued

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

On 11 September 2009, Jiangsu Xingda was accredited as a High-tech Enterprise, a preferential tax rate of 15% was granted by the relevant tax bureaus in Jiangsu province. In accordance with the High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2009, 2010 and 2011 and the management is of the opinion that this status will be renewed before the end of year 2011 and this preferential tax rate will continue to be obtained. As a result, the tax rate of 15% is used to calculate the amount of deferred taxation.

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

Pursuant to the Foreign-Invested Enterprises and Foreign Enterprise Income Tax Law 外商投資企業和外國企業所得稅法 in the PRC, Jiangsu Xingda was entitled to the exemptions from PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from its first profit-making year, followed by a 50% tax relief for the next three years. Jiangsu Xingda was exempted from FEIT for the years ended 31 December 2005 and 2006 and enjoyed a 50% tax relief for the years ended 31 December 2007, 2008 and 2009.

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

	2010	2009
	RMB'000	RMB'000
Profit before tax	**1,280,605**	867,731
Tax at the PRC tax rate of 25% (2009: 25%)	**320,150**	216,933
Tax effect of fair value adjustment on the convertible bonds not deductible/taxable for tax purposes	**–**	258
Tax effect of expenses not deductible for tax purposes	**15,013**	14,089
Tax effect of income not taxable for tax purposes	**(5,144)**	(4,503)
Tax effect of tax relief/tax exemption	**(102,952)**	(88,062)
Tax effect of deductible temporary differences not recognised	**237**	89
Overprovision in prior year	**(538)**	(1,066)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	**–**	2,624
Others	**(1,614)**	2,226
Tax charge for the year	**225,152**	142,588

14. PROFIT FOR THE YEAR

	2010 RMB'000	2009 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	**367,877**	257,777
Retirement benefits scheme contributions (note 36)	**10,873**	22,494
Share-based payments	**6,626**	–
Total staff costs	**385,376**	280,271
Amortisation of prepaid lease payments	**5,812**	4,765
Auditor's remuneration	**1,813**	1,767
Cost of inventories recognised as an expense	**3,794,566**	2,682,026
Depreciation for property, plant and equipment	**319,296**	249,643
Loss on disposal of property, plant and equipment	**11,833**	3,503
Gross rental income from investment properties	**(4,320)**	(1,556)
Less: direct operating expenses from investment properties that generated rental income during the year	**562**	1,283
	(3,758)	(273)
Net foreign exchange loss	**21,347**	1,958

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to the 12 (2009: 12) Directors are as follows:

	2010 RMB'000	2009 RMB'000
Fees	**3,394**	3,460
Salaries and other allowances	**5,344**	5,625
Bonus (note)	**31,080**	30,680
Retirement benefits scheme contributions	**8**	4
Share based payments	**4,206**	–
	44,032	39,769

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 2010

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

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

Directors – continued

Year ended 31 December 2009

	Fee RMB'000	Salary and other allowance RMB'000	Bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive Directors					
LIU Jinlan	–	1,640	11,130	1	12,771
LIU Xiang	–	1,402	7,480	1	8,883
TAO Jinxiang	–	1,399	7,470	1	8,870
WU Xinghua	–	240	100	–	340
CAO Junyong	–	240	400	–	640
ZHANG Yuxiao	–	704	4,100	1	4,805
Non-executive Directors					
LU Guangming George	1,750	–	–	–	1,750
WU Xiaohui	342	–	–	–	342
ZHOU Mingchen	342	–	–	–	342
Independent Non-executive Directors					
William John SHARP	342	–	–	–	342
KOO Fook Sun, Louis	342	–	–	–	342
XU Chunhua	342	–	–	–	342
	3,460	5,625	30,680	4	39,769

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

Employees

Of the five individuals with the highest emoluments in the Group, there were four (2009: four) Directors whose emoluments are included in the disclosures above. The emoluments of the remaining one (2009: one) individual was as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other allowances	**299**	299
Bonus	**5,000**	4,220
Retirement benefit scheme contributions	**2**	1
Share based payments	**795**	–
	6,096	4,520

None of the Directors waived any emoluments for both years.

16. DIVIDEND

	2010	2009
	RMB'000	RMB'000
Dividend recognised as distribution during the year:		
Final dividend paid for financial year ended 31 December 2009 – 10.0 HK cents per share (2009: final dividend paid for financial year ended 31 December 2008 – 8.0 HK cents per share)	**122,122**	97,754
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2009: 10.0 HK cents) per share	**194,180**	122,122

A final dividend for the year ended 31 December 2010 of 15.0 HK cents (2009: 10.0 HK cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividend proposed for the year ended 31 December 2010 and the dividend paid for financial year ended 31 December 2009 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 and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**791,959**	547,504
Effect of dilutive potential ordinary shares:		
Fair value adjustment on the convertible bonds	**–**	1,033
Exchange realignment on the convertible bonds	**–**	(17)
Earnings for the purpose of diluted earnings per share	**791,959**	548,520
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,427,187**	1,386,177
Effect of dilutive potential ordinary shares on convertible bonds	**–**	7,576
Number of ordinary shares in issue for the purpose of diluted earnings per share	**1,427,187**	1,393,753

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the new ordinary shares issued on 15 September 2010.

There was no potential ordinary shares during the year ended 31 December 2010.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2009	713,767	–	2,085,776	22,483	29,239	623,040	3,474,305
Additions	1,815	3,203	48,663	6,892	3,418	810,140	874,131
Reclassifications	198,208	–	606,795	–	–	(805,003)	–
Transferred to investment properties	(7,827)	–	–	–	–	–	(7,827)
Disposals/write-off	–	–	(22,343)	(1,305)	(478)	–	(24,126)
At 31 December 2009	905,963	3,203	2,718,891	28,070	32,179	628,177	4,316,483
Additions	184	–	76,191	5,985	6,420	776,194	864,974
Reclassifications	132,389	–	645,006	5,992	266	(783,653)	–
Disposals/write-off	(121)	–	(61,623)	(196)	(869)	–	(62,809)
At 31 December 2010	**1,038,415**	**3,203**	**3,378,465**	**39,851**	**37,996**	**620,718**	**5,118,648**
DEPRECIATION							
At 1 January 2009	127,891	–	741,441	11,704	17,780	–	898,816
Provided for the year	37,223	135	205,747	2,941	3,597	–	249,643
Eliminated upon transfer to investment properties	(216)	–	–	–	–	–	(216)
Eliminated on disposals	–	–	(17,992)	(1,280)	(144)	–	(19,416)
At 31 December 2009	164,898	135	929,196	13,365	21,233	–	1,128,827
Provided for the year	44,430	102	264,889	5,583	4,292	–	319,296
Eliminated on disposals	(68)	–	(38,429)	(107)	(553)	–	(39,157)
At 31 December 2010	**209,260**	**237**	**1,155,656**	**18,841**	**24,972**	**–**	**1,408,966**
CARRYING VALUES							
At 31 December 2010	**829,155**	**2,966**	**2,222,809**	**21,010**	**13,024**	**620,718**	**3,709,682**
At 31 December 2009	741,065	3,068	1,789,695	14,705	10,946	628,177	3,187,656

Construction in progress as at 31 December 2010 represents factories and plant, machinery and equipment constructed for the Group's own use.

18. PROPERTY, PLANT AND EQUIPMENT – continued

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

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

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

19. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2009	183,382
Additions	83,606
Charge to profit or loss	(4,765)
Transferred to investment properties	(25,268)
At 31 December 2009	236,955
Additions	22,132
Charge to profit or loss	(5,812)
At 31 December 2010	**253,275**

Analysed as:

	2010	2009
	RMB'000	RMB'000
Non-current assets	**247,643**	232,034
Current assets	**5,632**	4,921
	253,275	236,955

Prepaid lease payments are located in the PRC and are amortised on a straight-line basis over the lease terms from 50 to 70 years as stated in the land use rights certificates.

20. INVESTMENT PROPERTIES

	Completed investment properties RMB'000
FAIR VALUE	
At 1 January 2009	–
Additions	88,135
Transferred from prepaid lease payments and property, plant and equipment	27,355
Increase in fair value recognised in profit or loss	3,810
At 31 December 2009	119,300
Increase in fair value recognised in profit or loss	2,700
At 31 December 2010	**122,000**

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

In 2009, certain property, plant and equipment and prepaid lease payment ("Transferred Properties") with an aggregate carrying amount of RMB32,879,000 were transferred to investment properties as they have been rented out to third party. Fair value at date of transfer amounted to RMB27,355,000, resulting in a revaluation deficit of RMB5,524,000 recognised as other expense in profit or loss for the year.

The fair values of the Group's investment property at 31 December 2010 and 2009 and Transferred Properties at date of transfer have been arrived at on the basis of a valuation carried out on that day by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of transactions prices for similar properties in the same locations and conditions.

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

21. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	RMB'000	RMB'000
Listed investments	**–**	307,320

The above investments represented 19,500,000 non-public offer shares of Aeolus Tyre Co., Ltd. ("Aeolus"). Aeolus is a joint stock limited company incorporated in the PRC principally engaged in the design, research and development, manufacture and sale of tires. Aeolus' issued A shares (stock code: 600469) are listed on the Shanghai Stock Exchange since 21 October 2003. As at 31 December 2009, the Group held 5.2% of the issued share capital of Aeolus.

In the current year, the Group disposed of all the 5.2% issued share capital of Aeolus to an independent third party. A gain on disposal of RMB186,340,000 has been recognised in profit or loss for the current year.

22. DEFERRED TAXATION

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

	2010	2009
	RMB'000	RMB'000
Deferred tax assets	**14,776**	15,870
Deferred tax liabilities	**(675)**	(31,385)
	14,101	(15,515)

22. DEFERRED TAXATION – continued

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

	Fair value gain on available-for-sale investments RMB'000	Excess of accounting depreciation over tax depreciation RMB'000	Allowance for doubtful debts RMB'000	Fair value gain on investment properties RMB'000	Total RMB'000
At 1 January 2009	–	(8,576)	(4,029)	–	(12,605)
Credit to profit or loss	–	(1,775)	(4,114)	–	(5,889)
Effect of change in tax rate	–	3,430	(806)	–	2,624
Charge to equity for the year	31,385	–	–	–	31,385
At 31 December 2009	31,385	(6,921)	(8,949)	–	15,515
Credit to profit or loss	–	(2,182)	3,276	675	1,769
Credit to equity for the year	(31,385)	–	–	–	(31,385)
At 31 December 2010	**–**	**(9,103)**	**(5,673)**	**675**	**(14,101)**

At the end of the reporting period, the Group has deductible temporary difference of approximately RMB100,666,000 (2009: RMB107,012,000) 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 RMB98,506,000 (2009: RMB105,799,000) of such deductible temporary difference. At the end of the reporting period, Xingda Special Cord has deductible temporary differences of RMB2,160,000 (2009: RMB1,213,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probably that taxable profit will be available against which the deductible temporary differences can be utilised.

On 11 September 2009, Jiangsu Xingda was accredited as a High-tech Enterprise, a preferential tax rate of 15% was granted by the relevant tax bureaus in Jiangsu province. In accordance with the High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2009, 2010 and 2011 and the management is of the opinion that this status will be renewed before the end of year 2011 and this preferential tax rate will continue to be obtained. As a result, the tax rate of 15% is used to calculate the amount of deferred taxation.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,080 million (2009: RMB658 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials	**291,204**	225,329
Work in progress	**57,599**	38,722
Finished goods	**101,002**	166,853
	449,805	430,904

24. TRADE AND OTHER RECEIVABLES

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

	2010 RMB'000	2009 RMB'000
Trade receivables		
0 – 90 days	**1,253,459**	860,275
91 – 180 days	**194,005**	92,729
181 – 360 days	**49,451**	41,983
Over 360 days	**15,284**	82,336
	1,512,199	1,077,323
Note receivables		
0 – 90 days	**433,382**	397,739
91 – 180 days	**377,121**	560,676
181 – 360 days	**210,297**	19,650
	1,020,800	978,065
Advances to raw material suppliers	**224,441**	231,424
Spools	**19,117**	11,388
Other receivables and prepayments	**8,920**	17,755
Less: Allowance for doubtful debts on other receivables	**(120)**	(120)
	252,358	260,447
	2,785,357	2,315,835

24. TRADE AND OTHER RECEIVABLES – continued

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

	2010	**Equivalent to RMB**	2009	Equivalent to RMB
	'000	**'000**	'000	'000
USD	**42,948**	**284,432**	20,429	139,530
EUR	**5,018**	**44,191**	403	3,950

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

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

	2010	2009
	RMB'000	RMB'000
Balance at 1 January	**59,290**	32,357
Impairment loss recognised on receivables	**17,070**	35,279
Amounts written off as uncollectible	**(38,424)**	(8,346)
Balance at 31 December	**37,936**	59,290

The Group reviews all trade receivables overdue more than 1 year for allowance for doubtful debt, amounting to approximately RMB53,100,000 as at 31 December 2010 (2009: RMB141,506,000) before provision of allowance for doubtful debts of RMB37,816,000 (2009: RMB59,170,000) because historical experience showed that receivables that are past due beyond 1 year generally have recoverability problems. The Group will review the recoverability of long aged receivables on a case by case basis. Trade receivables are provided for based on estimated irrecoverable amounts of discounted cash flow, determined by reference to past default experience. Other receivables are provided for based on estimated irrecoverable amount of discounted cash flow.

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. Accordingly, the Directors believe that adequate allowance for doubtful debts has been made during the year.

24. TRADE AND OTHER RECEIVABLES – continued

Included in the Group's trade receivables are debtors with a carrying amount of RMB64,735,000 at 31 December 2010 (2009: RMB124,319,000) 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 335 days (2009: 449 days) at 31 December 2010. No other receivables are past due as at the reporting date.

The age of trade receivables which are past due but not impaired:

	2010	2009
	RMB'000	RMB'000
181-360 days	**49,451**	41,983
Over 360 days	**15,284**	82,336
	64,735	124,319

Out of the balance of RMB64,735,000 (2009: RMB124,319,000) which are past due but not impaired as at 31 December 2010, an amount of approximately RMB13,550,000 (2009: RMB94,068,000) was settled by the trade debtors subsequent to the end of the reporting period and up to the date these consolidated financial statements were authorised for issue.

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

Bank balances and cash comprise cash held by the Group. Fixed bank deposits represent short-term bank deposits, with an original maturity of three months or less. The bank balances and fixed bank deposits carry interest rates ranging from 0.001% to 1.150% (2009: 0.001% to 1.150%) per annum.

As at 31 December 2010, deposits amounting to approximately RMB16,387,000 (2009: Nil) had been pledged to a bank to secure short-term borrowings 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:

	2010	**Equivalent to RMB**	2009	Equivalent to RMB
	'000	**'000**	'000	'000
HKD	**765,920**	**650,315**	191,799	167,904
USD	**21,912**	**145,118**	20,612	140,744
EUR	**3,150**	**27,738**	175	1,713

26. TRADE AND OTHER PAYABLES

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

	2010 RMB'000	2009 RMB'000
Trade payables		
0 – 90 days	**227,218**	315,416
91 – 180 days	**84,898**	61,634
181 – 360 days	**2,783**	2,558
Over 360 days	**4,368**	4,880
	319,267	384,488
Note payables		
0 – 90 days	**119,500**	–
91 – 180 days	**150,500**	35,000
	270,000	35,000
Value-added tax payables and other tax payables	**22,761**	32,145
Accrued staff costs	**155,889**	110,328
Payables for purchase of property, plant and equipment	**153,880**	235,318
Advances from customers	**–**	165
Accrued pension	**26,834**	26,834
Accrued interest expense	**2,151**	2,642
Accrued electricity charges	**42,517**	39,746
Others	**8,633**	10,884
	412,665	458,062
	1,001,932	877,550

26. TRADE AND OTHER PAYABLES – continued

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

	2010	**Equivalent to RMB**	2009	Equivalent to RMB
	'000	**'000**	'000	'000
HKD	**–**	**–**	3,930	3,459
USD	**731**	**4,841**	419	2,862
EUR	**–**	**–**	34	333

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

27. AMOUNT DUE TO A DIRECTOR

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

28. AMOUNT DUE TO A RELATED COMPANY

The amount represents hotel and catering service fee payable to Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. 興化市興達綉園酒店有限公司 ("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 37.

29. BANK BORROWINGS

	2010	2009
	RMB'000	RMB'000
Bank loans	**1,492,259**	1,835,000
Secured	**16,259**	–
Unsecured	**1,476,000**	1,835,000
	1,492,259	1,835,000
Carrying amount repayable:		
Within one year	**1,092,259**	1,335,000
More than one year, but not exceeding two years	**400,000**	250,000
More than two years but not more than five years	**–**	250,000
	1,492,259	1,835,000
Less: Amounts due within one year shown under current liabilities	**(1,092,259)**	(1,335,000)
	400,000	500,000
Bank borrowings comprise:		
Fixed-rate borrowings	**681,000**	1,155,000
Variable-rate borrowings	**811,259**	680,000
	1,492,259	1,835,000

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

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

	2010	2009
Effective interest rate:		
Fixed-rate borrowings	**4.37% to 4.85%**	4.37% to 4.78%
Variable-rate borrowings	**4.37% to 4.86%**	4.37% to 4.86%

29. BANK BORROWINGS – continued

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

	2010 '000	**Equivalent to RMB '000**	2009 '000	Equivalent to RMB '000
USD	**2,455**	**16,259**	–	–

During the year, the Group obtained new loans amounting to approximately RMB1,442,259,000 (2009: RMB3,139,142,000). The loans bear interest at market rates. The proceeds were used to finance daily working capital.

Bank borrowings of RMB16,259,000 were secured by the Group's bank deposits as at 31 December 2010 (2009: Nil).

30. CONVERTIBLE BONDS

The movements of the convertible bonds for the year ended 31 December 2009 were set out as below:

	2009 USD'000	2009 RMB'000
At 1 January	6,081	41,561
Exchange realignment	–	(17)
Interest payment	(52)	(359)
Loss arising on changes of fair value	151	1,033
Redemption of the bonds	(6,180)	(42,218)
At 31 December	–	–

On 4 May 2009, the Company received a notice given by the transferred first tranche bondholder to require the Company to redeem on the maturity date an aggregate principal amount of USD5,257,058 of the transferred first tranche bond, being all the outstanding principal amount of the transferred first tranche bond, at the redemption amount of US$6,179,704. The Company should also pay the transferred first tranche bondholder an amount of US$52,570, being all the outstanding and unpaid interests accrued on the transferred first tranche bond up to and including the maturity date.

Immediately after the said redemption became effective, the transferred first tranche bond so redeemed was forthwith cancelled and the transferred first tranche bondholder ceased to hold any convertible bond issued by the Company. There is no outstanding convertible bonds as at 31 December 2010 and 2009.

31. GOVERNMENT GRANTS

	RMB'000
At 1 January 2009	900
Credited to consolidated statement of comprehensive income	(900)
Additions for the year	10,500
At 31 December 2009	10,500
Additions for the year	12,540
At 31 December 2010	**23,040**

Analysed as:

	2010 **RMB'000**	2009 RMB'000
Current liabilities	**–**	–
Non-current liabilities	**23,040**	10,500
	23,040	10,500

The amounts represent government grants received to be used mainly for a technological advancement project which is expected to be completed in 2012 or 2013. They are recorded as liabilities until the Group completes the project which will be subject to approval by the Technology Bureau of Taizhou, the PRC.

32. SHARE CAPITAL

	Number of shares	**Amount** HKD	**Equivalent to** RMB'000
Authorised:			
Ordinary shares of HKD0.10 each at 1 January 2009, 31 December 2009 and 31 December 2010	3,000,000,000	300,000,000	301,410
Issued and fully paid:			
At 1 January 2009, 31 December 2009 and 1 January 2010	1,386,176,693	138,617,669	139,091
New ordinary shares issued	138,600,000	13,860,000	11,908
At 31 December 2010	**1,524,776,693**	**152,477,669**	**150,999**

32. SHARE CAPITAL – continued

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

33. 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.

A total of 5,000,000 (2009: Nil) shares have been purchased from the open market pursuant to the Share Award Scheme during the year ended 31 December 2010. Shares were granted to 21 selected employees during the year ended 31 December 2010 subject to the terms of the Share Award Scheme. 1,666,668 (2009: Nil) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:

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

33. SHARE-AWARD SCHEME – continued

Notes:

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

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

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

The Group recognised the total expenses of approximately RMB6,626,000 for the year ended 31 December 2010 (2009: Nil) in relation to shares granted under the Share Award Scheme by the Company.

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

Share price at grant date	HK$5.12
Expected volatility	50% – 62%
Risk-free rate	0.210% – 0.471%

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

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

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

34. OPERATING LEASES

The Group as lessee

	2010 RMB'000	2009 RMB'000
Minimum lease payments paid under operating leases for premises during the year	**700**	600

At 31 December 2010 and 2009, 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 RMB4,320,000 (2009: RMB1,556,000). The properties are expected to generate rental yields of 3.6% on an ongoing basis. All of the properties held have committed tenants for the next four years.

At 31 December 2010, the Group had contracted with tenants for the following future minimum lease payments:

	2010 RMB'000	2009 RMB'000
Within one year	**4,320**	4,320
In the second to fifth year inclusive	**8,883**	13,202
	13,203	17,522

35. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**53,384**	198,006

36. 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 22% of the employees' salaries subject to the minimum requirement in the Xinghua Municipality, which are charged to operations as expenses when the contributions are due.

The Group's contribution to the retirement benefit scheme that is charged to profit or loss is approximately RMB10,873,000 (2009: RMB22,494,000) for the year ended 31 December 2010.

37. RELATED PARTY TRANSACTIONS

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

Name of related party	**Nature of transaction**	Notes	**2010 RMB'000**	2009 RMB'000
Xingda Xiu Yuan	Income from the provision of electricity	(a)	**365**	593
	Provision of hotel and catering services		**4,178**	4,182
Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("Xingda Labour Union")	Union fees	(b)	**6,779**	4,299

Notes:

(a) Xingda Xiu Yuan is a limited company whose equity interest is held as to 15% by Xingda Labour Union.

(b) Xingda Labour Union is one of the shareholders of a subsidiary of the Group, Jiangsu Xingda and thus is a non-controlling interests of the Group. The union fees were calculated at 2% on the annual staff salaries and wages of Jiangsu Xingda.

Details of the balances with related parties are set out in the consolidated statement of financial position on page 40 and notes 27 and 28 to the consolidated financial statements.

Compensation of key management personnel

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

	2010 RMB'000	2009 RMB'000
Short-term benefits	**63,979**	59,160
Post-employment benefits	**17**	18
Share based payments	**5,433**	–
	69,429	59,178

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.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2010 and 2009 are disclosed as follows:

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

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

(a) sino-foreign equity joint venture

(b) domestic invested company

(c) wholly foreign owned enterprise

39. 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:

	2010	2009
	RMB'000	RMB'000
ASSETS AND LIABILITIES		
NON-CURRENT ASSET		
Investment in a subsidiary	**285,670**	285,670
CURRENT ASSETS		
Other receivables	**204**	364
Amount due from a subsidiary	**645,053**	664,941
Bank balances and cash	**650,193**	167,778
	1,295,450	833,083
CURRENT LIABILITIES		
Other payables	**7,969**	8,304
NET CURRENT ASSETS	**1,287,481**	824,779
NET ASSETS	**1,573,151**	1,110,449
CAPITAL AND RESERVES		
Share capital (note 32)	**150,999**	139,091
Reserves	**1,422,152**	971,358
TOTAL EQUITY	**1,573,151**	1,110,449

40. EVENT AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2010, a fire broke out in one of the Group's factories in Jiangsu Province, the PRC on 11 February 2011. As a result, certain of the equipment, machineries and factory building for use in the Group's production were damaged. No casualty was reported in connection with the fire.

The net book value of the equipment and machineries damaged by the fire was approximately RMB301.4 million. The Group is in the process of claiming the full amount of this loss as compensation.

Financial Summary

	Year ended 31 December				
	2006	2007	2008	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	2,516,189	2,778,061	3,488,518	3,864,409	**5,430,156**
Cost of sales	(1,784,329)	(2,076,112)	(2,567,757)	(2,682,026)	**(3,794,566)**
Gross profit	731,860	701,949	920,761	1,182,383	**1,635,590**
Other income	73,555	102,628	68,920	95,771	**74,235**
Government grants	10,062	11,282	65,840	53,102	**32,451**
Selling and distribution expenses	(90,047)	(102,128)	(139,488)	(178,575)	**(271,670)**
Administrative expenses	(112,316)	(162,247)	(173,990)	(179,581)	**(273,908)**
Other expenses and losses	(20,556)	(25,242)	(38,185)	(52,102)	**(43,671)**
Finance costs	(88,614)	(89,743)	(103,808)	(54,176)	**(58,762)**
Gain on disposal of available-for-sale investments	–	–	–	1,942	**186,340**
(Loss) gain on fair value adjustment on the convertible bonds	(158,597)	76,915	24,903	(1,033)	**–**
Gain on deregistration of a subsidiary	–	–	3,398	–	**–**
Profit before tax	345,347	513,414	628,351	867,731	**1,280,605**
Income tax expense	(478)	(64,593)	(85,953)	(142,588)	**(225,152)**
Profit for the year	344,869	448,821	542,398	725,143	**1,055,453**
Profit attributable to:					
Owners of the Company	194,235	345,412	418,219	547,504	**791,959**
Non-controlling interests	150,634	103,409	124,179	177,639	**263,494**
	344,869	448,821	542,398	725,143	**1,055,453**
Dividend attributable to:					
Owners of the Company	18,627	50,305	74,043	97,754	**122,122**
Earnings per share					
Basic (RMB fen)	21.31	25.97	30.17	39.50	**55.49**
Diluted (RMB fen)	21.31	16.05	25.39	39.36	**55.49**

Financial Summary

	As at 31 December				
	2006	2007	2008	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	5,170,990	5,304,113	5,438,419	7,369,756	**8,520,008**
Total liabilities	(2,612,846)	(2,015,152)	(1,681,145)	(2,815,443)	**(2,589,945)**
	2,558,144	3,288,961	3,757,274	4,554,313	**5,930,063**
Equity attributable to owners of the Company	1,905,815	2,541,423	2,885,599	3,459,026	**4,633,655**
Non-controlling interests	652,329	747,538	871,675	1,095,287	**1,296,408**
	2,558,144	3,288,961	3,757,274	4,554,313	**5,930,063**