XINGDA
兴 达

XINGDA INTERNATIONAL HOLDINGS LIMITED
興 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)
(Stock Code : 1899)

ANNUAL REPORT **2016**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. WU Xiaohui

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons

AUDITORS

Deloitte Touche Tohmatsu

INVESTOR RELATIONS

Strategic Financial Relations (China) Limited
Unit 02, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit S03, 7/F, Low block
Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

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

Hong Kong Branch:

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

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	2016	2015	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**5,469.2**	4,736.9	+15.5%
Gross profit	**1,195.3**	850.2	+40.6%
EBITDA(1)	**1,011.5**	810.0	+24.9%
Profit for the year	**394.7**	239.7	+64.7%
Profit attributable to owners of the Company	**277.8**	173.8	+59.9%
Earnings per share – basic (RMB fen)	**18.75**	11.57	+62.1%

	2016	2015	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**10,872.9**	9,484.3	+14.6%
Total liabilities	**3,624.3**	2,321.1	+56.1%
Net assets	**7,248.6**	7,163.2	+1.2%
Equity attributable to owners of the Company	**5,228.3**	5,124.0	+2.0%

	2016	2015
KEY RATIOS		
Gross profit margin (2)	**21.9%**	17.9%
EBITDA margin (3)	**18.5%**	17.1%
Return on equity (4)	**5.3%**	3.4%
Current ratio (5)	**1.58**	2.22
Gearing ratio (6)	**8.5%**	5.4%
Net debts to equity ratio (7)	**Net cash**	Net cash

Notes:

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

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

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

(5) Current assets divided by current liabilities.

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") for the year ended 31 December 2016.

The year 2016 was strategically significant for Xingda. As the economic development direction began to stabilize in China, its supply side structural reform gradually strengthened and the radial tire cord industry structure has almost been formed under the consolidation, the Group's results continued to improve with revenue up 15.5% year-on-year to RMB5,469 million during the year. The selling price of radial tire cord products has climbed since bottoming out in the second quarter of 2016, thus gross profit has increased by 40.6% to RMB1,195 million and gross profit margin climbed 4.0 percentage points year-on-year to 21.9%. Profit attributable to owners of the Company was RMB278 million, representing a gain of 59.9% from the entire 2015. Basic earnings per share were RMB18.75 fen, 62.1% higher than the previous year.

The Board has proposed a final dividend of 15.0 HK cents or approximately RMB13.4 fen per share for the year ended 31 December 2016 (2015: 10.0 HK cents or approximately RMB 8.4 fen per share).

During 2016, the Chinese economy generally remained stable. Under the "new normal," change in the pace of growth, optimization of the structure of the economy and a shift of momentum started to reveal fundamental changes, making China a highlight amidst the sluggish global economic development. The consolidation of the radial tire cord industry accelerated in the first half of the year while the structure of the industry stabilized in the second half of the year. Capitalizing on its advantage as an industry leader, the Group absorbed the market space released from elimination of obsolete production capacity under government directives and subsequently enlarged our market share. In the second half of the year, new policies launched by the government included tightening control of maximum loading of trucks and dimensions, axle load and masses for motor vehicles, trailers and combination vehicles, which has stimulated demand for new trucks, which in turn boosted the demand for radial tires. All of the factors above have combined to bring about more orders for radial tire cord products, so even as the material costs have risen, nonetheless the Group managed to increase the product prices several times during the year leveraging its strong price negotiating ability and thereby notably improved our product income.

As for overseas markets, despite the slow and imbalanced economic recovery around the world, Xingda managed to maintain growth in the export of radial tire cords through its astute marketing and flexible global sales strategy.

During the year, the Group's manufacturing plant maintained a high utilization rate, so the resulting highly efficient use of capacity could also optimize its strength of production scale. In addition, Jiangsu Xingda Steel Tyre Cord Co., Ltd., a subsidiary of Xingda, was still entitled to the 15% preferential income tax rate as it has attained a High-tech Enterprise Certificate. Through cost-effective manufacturing, Xingda could achieve higher margins and was among the first to reap the profit from the recovery of the economy and industry.

In June 2016, the Company's indirect non-wholly-owned subsidiary, Jiangsu Xingda Special Cord Co., Ltd., acquired approximately 22.2% equity interest in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda"), at a total consideration of approximately RMB117.55 million. The acquisition enables the Company to enjoy a higher portion of profits contributed by Shandong Xingda in the future.

The market could be described as being affected by complicated variables due to the consolidation in the industry, but the Group and management still remained confident in its development. During the year under review, the Group repurchased 19,048,000 shares at an average price of approximately HK$2.66 for a total consideration of approximately HK$50.6 million (after deducting related expenses). The controlling shareholders of the Company also purchased a total of 20,712,000 shares on the Stock Exchange of Hong Kong to show their strongest support.

The Group is optimistic about its prospects for the future. "Stability" remains as the core objective in the development of the Chinese economy. As the implementation of supply side structural reform further progresses, the national policy of "capacity reduction, de-stocking, deleveraging, cost reduction and, improving underdeveloped areas" looks set to achieve actual results. The ongoing system reform of key sectors is helping to optimizing the industrial structure and stimulating the momentum of economic growth in the long run. In the short term, the national policy of lowering maximum loading on truck has just come into effect, and related works will be fully implemented in 2017. Therefore the structural upgrade of heavy-duty trucks and the faster elimination of old trucks is on track to become a trend, and the radial tire cord industry will benefit from the structural upgrade of heavy-duty trucks in the long run. As one of the largest manufacturers of radial tire cord products in China, Xingda will continue to adhere to the strictest corporate governance, maintain a healthy financial condition, and execute a highly efficient production plan and flexible sales strategy to lead the development trend and boost optimization and upgrade across the industry. Xingda will also retain a reasonable dividend policy and strive to create satisfactory investment returns for shareholders.

Last but not least, I would like to express my heartfelt thanks to our shareholders, partners and long-term customers for their support and trust over the years. I also wish to extend my sincere gratitude to all the employees of Xingda for their contributions to the Group.

Liu Jinlan
Chairman
Shanghai, China, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China's economy started to stabilize with the GDP growing by 6.7% in 2016 and the corresponding steady growth in industrial production has enhanced corporate efficiency distinctively. According to the China Rubber Industry Association, China's tire output increased by 7.96% to approximately 610 million units in 2016, of which approximately 565 million units were radial tires. The rise in radial tire outputs by 9.71% was the result of the Chinese government's strategy to promote the use of these tires over the years which led to stable growth in the volume of output. In 2016, the radialization rate was maintained at a high level of approximately 93% (2015: 91%).

According to the China Association of Automobile Manufacturers, the national production volume of trucks increased by 11.3% to approximately 3.15 million vehicles in 2016. This was mainly attributable to the implementation of the "Limits of Dimensions, Axle Load and Masses for Motor Vehicles, Trailers and Combination Vehicles" (GB 1589-2016) by the Chinese government since July 2016. The standard regulates the dimensions, axle load and masses of motor vehicles, trailers and combination vehicles. Moreover, it was also due to a lower base created by the sluggish industry in 2015. The production volume of passenger cars also increased by 15.8% to about 24.42 million vehicles. This was mainly due to the national policies to cut the sales tax of small-displacement vehicles by 50% and the promotion of new energy vehicles which encouraged consumers to purchase vehicles before the deadline and to a certain extent also stimulated the production and sales of passenger cars.

BUSINESS REVIEW

In the second half of 2015, the radial tire industry going through supply-side structural reform actively ridded excess inventory. Came the first quarter of 2016, the domestic tire manufacturers started to replenish inventory and with the radial tire cords industry consolidation bearing fruit plus the development of new infrastructure projects picking up speed, demand for the Group's radial tire cords has exceeded output since the second quarter of 2016. Moreover, in the second half of the year, the demand for new trucks increased as the government enforcing laws to clamp down on illegal modification, overrunning and overloading of trucks and also launching standard specifications for trucks. And, the country implementing measures such as reducing sales tax by half for low-emission cars and promoting new energy vehicles, have also released the keen demand for radial tire cords for passenger cars in the market. Combined with the effects on change of industry landscape and the implementation of new national policies, the sales volume of the Group's radial tire cords was boosted by 21.0% to 606,300 tonnes during the year, accounting for 88.6% of the Group's total sales volume (2015: 86.3%). The sales volume of bead wires and other wires decreased by 2.4% to 77,800 tonnes, making up 11.4% of the Group's total sales volume (2015: 13.7%).

Benefited from the recovery of the radial tire cord market, the Group sold 381,400 tonnes of radial tire cords for trucks and 224,900 tonnes of radial tire cords for passenger cars, up by 25.4% and 14.1% year-on-year, accounting for 62.9% and 37.1% of the Group's total sales volume of radial tire cord products, respectively (2015: 60.7% and 39.3%).

BUSINESS REVIEW – *CONTINUED*

Sales Volume	**2016**	2015	Change
	Tonnes	*Tonnes*	
Radial tire cords	**606,300**	501,100	+21.0%
– For trucks	***381,400***	*304,000*	*+25.4%*
– For passenger cars	***224,900***	*197,100*	*+14.1%*
Bead wires and other wires	**77,800**	79,700	-2.4%
Total	**684,100**	580,800	+17.8%

As a result of the strong demand of radial tires in China during the year ended 31 December 2016, the domestic sales volume of radial tire cords rose by 26.5% to 487,200 tonnes (2015: 385,100 tonnes), representing 80.4% of the Group's total sales volume for this product (2015: 76.9%). The Group's continued escalation of development efforts in the global market has also helped maintain stable growth. As for overseas markets, the pan-Asia Pacific region (excluding China) and North America markets remain the Group's key markets. The export sales volume of the Group's radial tire cords increased by 2.7% to 119,100 tonnes (2015: 116,000 tonnes), accounting for 19.6% of its total sales volume of radial tire cords in 2016 (2015: 23.1%).

The Group's total annual production capacity of radial tire cords was 670,000 tonnes as at the end of 2016. The annual production capacities of its Jiangsu factory and Shandong plant were 580,000 tonnes and 90,000 tonnes respectively. As for bead wires and other wires, the annual production capacity was 105,000 tonnes. During the year, the overall utilization rate of the Group rebounded to 90% (2015: 82%).

	2016 Production Capacity *(Tonnes)*	**2016 Utilization Rate**	2015 Production Capacity *(Tonnes)*	2015 Utilization Rate
Radial tire cords	**670,000**	**92%**	610,000	83%
Bead wires and other wires	**105,000**	**73%**	112,000	71%
Overall	**775,000**	**90%**	722,000	82%

As at the end of 2016, the Group offered a wide variety of products, including 265 types of radial tire cords, 89 types of bead wires and other wires.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

RMB in million	**2016**	**Proportion**	2015	Proportion	Change
Radial tire cords	**5,040.0**	**92%**	4,334.4	91%	+16.3%
– *For trucks*	***3,203.6***	***58%***	*2,667.8*	*56%*	*+20.1%*
– *For passenger cars*	***1,836.4***	***34%***	*1,666.6*	*35%*	*+10.2%*
Bead wires and other wires	**429.2**	**8%**	402.5	9%	+6.6%
Total	**5,469.2**	**100%**	4,736.9	100%	+15.5%

The Group's total revenue in 2016 increased by 15.5% or RMB732.3 million to RMB5,469.2 million, mainly due to robust order growth as a result of strong demand for radial tire cords in China and an increment in the average selling prices of the products from second quarter of the year onwards.

Gross profit and gross profit margin

In 2016, the Group's gross profit rose by 40.6% or RMB345.1 million to RMB1,195.3 million (2015: RMB850.2 million), mainly because the Group enhanced production efficiency and implemented strict cost saving measures during the year. Gross profit margin increased by 4.0 percentage points to 21.9% accordingly (2015: 17.9%).

Other income

Other income increased by RMB13.7 million or 61.1% from RMB22.5 million in 2015 to RMB36.2 million for the year under review, due to the increase in bank interest income derived from placing fixed bank deposits of RMB900.0 million.

Government grants

Government grants for the year increased by 4.5% from RMB30.0 million in 2015 to RMB31.3 million mainly due to the increase in incentive subsidies from the local government.

Distribution and selling expenses

In 2016, distribution and selling expenses increased by RMB67.1 million or 17.8% to RMB443.5 million (2015: RMB376.4 million), which was mainly caused by the higher transportation and storage costs as well as increased sales team remuneration associated with higher sales volume.

FINANCIAL REVIEW – *CONTINUED*

Administrative expenses

Administrative expenses increased by RMB23.0 million or 8.2% to RMB303.9 million in 2016. Such increase was mainly due to higher staff costs and depreciation charges on office premises.

Other gain and losses, net

Other gains and losses, net decreased by RMB23.5 million or 47.2% from RMB49.8 million in 2015 to RMB26.3 million in 2016. The decrease was mainly attributable to the decrease in impairment loss recognised on trade and other receivables which was partially offset by an increase in research and development expenditure and loss on disposal of property, plant and equipment.

Finance costs

Finance costs dropped by RMB12.7 million or 37.3% to RMB21.5 million from RMB34.2 million in 2015. The decrease was mainly due to the drop of both the weighted average interest rate of bank borrowings and the average balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB19.8 million to RMB72.9 million with an effective tax rate 15.6% (2015: 18.1%). The increase in income tax expenses was mainly caused by higher current tax charges as a result of an increment in operating profits.

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2016 increased by RMB155.0 million or 64.7% from RMB239.7 million in 2015 to RMB394.7 million. If the net gain on disposal of available-for-sale investment from non-operating activities, deferred tax charges related to provision of withholding tax and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2016 have been RMB402.6 million, representing an increase of RMB257.8 million or 178.0% when compared with the previous year.

FINANCIAL REVIEW – *CONTINUED*

Reconciliation of report profit and underlying profit

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**394,722**	239,722
Net gain on disposal of available-for-sale investment from non-operating activities	**–**	(111,897)
Deferred tax charges related to the provision of withholding tax	**2,485**	3,200
Net exchange loss arising from non-operating activities	**5,401**	13,802
Underlying profit for the year	**402,608**	144,827
Underlying profit for the year attributable to:		
Owners of the Company	**285,678**	112,943
Non-controlling interests	**116,930**	31,884
	402,608	144,827

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year under review, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flow generated from operating activities whereas the principal uses of cash were placement of fixed bank deposits, repayment of bank loans, expansion of production capacity, payment of dividends and payment for repurchase of ordinary shares.

Bank balances and cash including bank deposits of the Group decreased by RMB253.1 million from RMB733.3 million as at 31 December 2015 to RMB480.2 million as at 31 December 2016. The decrease was due to cash used in investment activities of RMB1,285.6 million exceeding the cash generated from operating activities of RMB950.2 million and financing activities of RMB82.3 million.

Borrowings increased by RMB407.8 million or 79.2% to RMB922.8 million as at 31 December 2016 from RMB515.0 million as at 31 December 2015. The bank borrowings carry interest at market rates from 1.88% to 4.35% (2015: 1.05% to 5.60%) and are repayable within one year from 31 December 2016.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – *CONTINUED*

The Group's current assets increased by 13.0% to RMB5,719.5 million as at 31 December 2016 from RMB5,060.5 million as at 31 December 2015 and its current liabilities increased by 58.4% from RMB2,281.5 million as at 31 December 2015 to RMB3,614.9 million as at 31 December 2016. The Group's current ratio, being defined as current assets over current liabilities, decreased from 2.22 times as at 31 December 2015 to 1.58 times as at 31 December 2016. The decrease was mainly caused by an increase in trade and other payables, borrowings due within one year and bills payables as well as a decrease in bank balances and cash. The gearing ratio which is measured by total debts (borrowings) to total assets increased from 5.4% as at 31 December 2015 to 8.5% as at 31 December 2016 mainly due to an increase in borrowings due within one year.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and euros. Part of the sales proceeds in US dollars and euros have been used to purchase imported raw materials in the same currencies, while the exchange rate fluctuation of Renminbi did not have a significant adverse effect on the operating results of the Group in 2016.

Apart from certain bank and debtors' balances in US dollars, euros, Hong Kong dollars and Thai baht, most of the assets and liabilities of the Group were denominated in Renminbi. Therefore, the Group was not exposed to significant foreign exchange risk. During the year under review, the devaluation of Renminbi was beneficial to the Group's operations and financial flows. Accordingly, the Group did not enter into any financial derivative instruments to hedge against foreign exchange currency exposure during the year under review. However, the Group is closely monitoring the impact of change in value of Renminbi on its operations and may consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the year ended 31 December 2016, capital expenditure of the Group for property, plant and equipment amounted to RMB352.1 million (2015: RMB350.7 million).

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had made capital commitment of approximately RMB136.3 million (31 December 2015: RMB82.1 million) for acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted for in both years.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2016 and 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2016, the Group pledged bank deposits of RMB69.5 million to banks to secure bill payables of the Group (31 December 2015: RMB17.5 million to secure banking facilities).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments as at 31 December 2016.

During the year ended 31 December 2015, Jiangsu Xingda, a subsidiary of the Company, disposed of 30,000,000 A shares of Guizhou Tyre Co., Ltd. ("Guizhou Tyre") to an independent third party, for an aggregate consideration, after expenses, of approximately RMB266.0 million on 14 April 2015. Upon completion of the disposal, the Group no linvestonger holds any shares in Guizhou Tyre.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Jiangsu Xingda Special Cord Co., Ltd., an indirect non wholly-owned subsidiary of the Company, acquired equity interest representing approximately 22.2% of the total paid-up share capital of Shandong Xingda Steel Tyre Cord Co., Ltd., an indirect non wholly-owned subsidiary of the Company, at a total consideration of approximately RMB117.5 million in June 2016.

Save as disclosed, the Company had no other material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the year ended 31 December 2016.

HUMAN RESOURCES

As at 31 December 2016, the Group had approximately 6,800 (31 December 2015: approximately 6,400) full time employees. Total staff costs including directors' remuneration for the year ended 31 December 2016 was approximately RMB540.0 million (2015: approximately RMB508.3 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of its staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union, are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the year ended 31 December 2016, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB9.0 million (2015: RMB8.5 million).

HUMAN RESOURCES – *CONTINUED*

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

In 2009, the Board of Directors adopted a share award scheme to encourage and retain elite employees to stay with the Group and to provide incentives to achieve performance goals with a view to attaining the objectives of increasing the value of the Group and aligning the interests of selected employees directly to the shareholders of the Company through ownership of shares. Pursuant to the scheme, shares will be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the selected employees until such shares are vested in the selected employees in accordance with the provisions of the scheme.

In 2010, 5,000,000 shares in the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares in the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares in the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were treated as the "Third Batch Shares". In 2014, 4,519,000 shares in the Company were purchased by the trustee on the public market and were added to the "Third Batch Shares". In 2016, 7,282,000 shares in the Company were purchased by the trustee on the public market (the "Fourth Batch Shares"). As at 31 December 2016, the balances of the Third Batch Shares and Fourth Batch Shares were 10,000,000 shares and 7,282,000 shares respectively.

As at 31 December 2016, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. The Third Batch Shares are expected to be vested with selected employees in 2017 and 2018. The Fourth Batch Shares are expected to be vested with selected employees in a three year period from 2019 to 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Chinese economy basically reached its growth target in 2016, marking a good first year launching the Thirteenth Five-year Plan. During 2017, "making progress while ensuring stability" will become the key focus of economic development. The Thirteenth Five-year Plan will enter a critical implementation stage while the "supply-side structural reforms" will be further pushed forward. The "One Belt, One Road" strategic directive will also support China's international strategy in the coming year. Under the comprehensive planning and clear guidance of state policies, China's economic growth structure is likely to achieve concrete improvement, thereby creating momentum for innovation in business and society, driving demand for production and construction and creating new development highlights in the industry. The Group believes that the trend towards stability in the macro environment will strengthen and expand during 2017.

The radial tire cord industry has undergone consolidation for several years and signs of improvement became evident during the year under review. The trend of the continuous drop in the average selling prices of products has ended after six years. The average selling prices have increased several times since the second quarter of 2016 and are likely to return to a normal level gradually during 2017. The phasing out of underperforming players resulted in the further concentration of the radial tire cord orders with the leading enterprises. Consequently, the production efficiency of the industry is expected to be heightened in 2017. Moreover, with the government's announcement of policies aimed at achieving better management of overcapacity and overloading in July 2016, the phasing out of obsolete and non-compliant heavy trucks is expected to accelerate, spurring a long-term trend of upgrades and replacement which continues to stimulate the demand for radial tire cord. As a result, the industry should recover from the downturn as industry growth is expected to expand. Xingda, as an industry leader, should be among the principal beneficiaries of this growth.

Looking forward, the management is positive and optimistic about the prospects for the development of the industry. Xingda is continuing to uphold strict production standards as it actively leverages its advantages of product quality and production scale and aims to realize higher business effectiveness at lower cost. The Group strives to maintain its financial stability, so that it can address the ever-changing specifications of the products and quickly respond to the needs and situation of domestic and overseas markets, with the aim to capture every opportunity to advance its business. The winter is over and the spring is approaching. After overcoming tough challenges, Xingda is more confident in helping to lead the recovery of the industry and promoting the industry-wide upgrade and development.

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 67, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He has also been a director of Faith Maple International Ltd. ("Faith Maple") since 16 June 2004, a director of 興達國際(上海)特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.*) ("Xingda International (Shanghai)") since 18 September 2006, 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 and a director of 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.*) ("Shandong Xingda") since 27 June 2011. Both Faith Maple and Xingda International (Shanghai) are wholly-owned subsidiaries of the Company whereas Xingda Special Cord and Shandong Xingda are non-wholly owned subsidiaries 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 21 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 40, has been an executive Director since August 2005. He has also been a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. He is also the sole director of In-Plus Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan*) of 中國人民解放軍 (the People's Liberation Army*) in 2004. In 2009, he graduated from Fudan University with a master's degree in business administration. Mr. Liu has approximately 21 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS – *CONTINUED*

Mr. TAO Jinxiang (陶進祥), aged 54, has been an executive Director since August 2005. He has also been a director of Xingda International (Shanghai) since 18 September 2006, a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 6 June 2016. 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 21 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 47, has been an executive Director and Chief Financial Officer of the Company since August 2005. He has also been a director of Jiangsu Xingda since 25 January 2003, a director of Xingda International (Shanghai) since 18 September 2006, a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 27 June 2011. 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 16 years of experience in the radial tire cord manufacturing industry.

NON-EXECUTIVE DIRECTOR

Ms. WU Xiaohui (鄔小蕙), aged 56, has been a non-executive Director since August 2005. She joined China National Cereals, Oils and Foodstuffs Import and Export Corporation ("COFCO") in August 1986 and had served in various positions. She was the director of the Finance Department of COFCO from July 2000 to February 2002. She served as the Chief Financial Officer of COFCO from February 2002 to November 2012. She has been the Vice President of COFCO since November 2012 and she is in charge of the financing activities of COFCO. She 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 31 years of experience in finance and accounting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 60, has been an independent non-executive Director since August 2005. Mr. Koo is the managing director of Hercules Capital Limited, a corporate finance advisory firm. Prior to the founding of Hercules Capital Limited, he was the managing director and head of corporate finance department of a major international bank, and a director and chief executive officer of a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo also serves currently as an independent non-executive director of Good Friend International Holdings Inc., Li Ning Company Limited, Midland Holdings Limited and Winfull Group Holdings Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). While Mr. Koo has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgment in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent non-executive director in various public listed companies. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States of America and is a certified public accountant.

Mr. William John SHARP, aged 75, has been an independent non-executive Director since August 2005. He has been appointed as the Vice Chairman of the Board with effect from 1 January 2016. Mr. Sharp is also a member of the audit committee of the Board and the chairman of the remuneration and management development Committee of the Board. Mr. Sharp is the president of Global Industrial Consulting, a consulting firm. He is also an independent director of China Zenix Auto International Limited, an NYSE-listed manufacturer of commercial vehicle wheels. He joined The Goodyear Tire & Rubber Company in 1964 and was the President of its North American Tire group between 1999 and 2000. Prior to that, he was the President of its Global Support Operations between 1996 and 1999, and the President of Goodyear Europe from 1992 to 1996. While Mr. Sharp has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent director in another public listed company. Mr. Sharp graduated with a bachelor's degree of science, majoring in industrial engineering, from The Ohio State University in 1963 and has more than 49 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 73, 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. Since May 2007, she has served as an independent director of China Sunsine Chemical Holdings Ltd., a company listed on the Singapore Exchange Limited. While Ms. Xu has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that she is able and will continue to exercise independent and professional judgment in relation to matters and affairs of the Company, as she has displayed her competence in serving as an independent director in another public listed company. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 49 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 41, 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 17 years of experience in finance, accounting and auditing. Mr. Cheng worked in accounting firms in Hong Kong from July 1998 to June 2008 before joining the Company. He has been a member of the Hong Kong Institute of Certified Public Accountants since 19 July 2005. Mr. Cheng graduated from The Hong Kong Polytechnic University with the degree of Bachelor of Arts in Accountancy in 1998.

* *denotes an unofficial English translation of a Chinese name*

The directors of the Company ("Directors") are pleased to present the annual report and the consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and comprehensive income on page 65 of the annual report.

A final dividend of 10.0 HK cents per share for the year ended 31 December 2015 was paid to the shareholders of the Company during the year ended 31 December 2016.

The Board has recommended the payment of a final dividend of 15.0 HK cents (approximately RMB13.4 fen) per share for the financial year ended 31 December 2016 with the shareholders of the Company being given an option to elect to receive such proposed final dividend all in new shares or all in cash or partly in new shares and partly in cash (the "Scrip Dividend Scheme"). The proposed final dividend will be paid to the shareholders whose names appear on the register of members of the Company on Monday, 12 June 2017.

The Scrip Dividend Scheme is subject to (1) the approval of the proposed final dividend at the forthcoming annual general meeting; (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto; and (3) the white wash waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegate.

A circular containing full details of the Scrip Dividend Scheme together with the form of election will be sent out to the shareholders on or around Friday, 23 June 2017. It is expected that the final dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Friday, 21 July 2017.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 14 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has complied with all the relevant laws and regulations in China and Hong Kong during the year ended 31 December 2016.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2016 are set out in the section headed "2016 Environmental, Social and Governance Report" on pages 51 to 59 of this annual report.

PERMITTED INDEMNITY PROVISION

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 24 May 2017, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 17 May 2017.

The proposed final dividend for the year ended 31 December 2016 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 24 May 2017. The register of members of the Company will be closed from Thursday, 8 June 2017 to Monday, 12 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7 June 2017.

DONATION

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the consolidated financial statements, is set out on page 134 of this annual report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year ended 31 December 2016 are set out in notes 18 and 20 to the consolidated financial statements, respectively.

USE OF PROCEEDS

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

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

Up to 31 December 2016, the Group has utilised approximately HKD693 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006	**Actual utilized funds as at 31 December 2016**	**Balance of net proceeds as at 31 December 2016**
	HKD'000	*HKD'000*	*HKD'000*
Expansion of the production capacity of the production facilities	550,000	550,000	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	16,391	53,609
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	692,749	394,251

USE OF PROCEEDS – *CONTINUED*

The remaining amount of approximately HKD394 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Company's prospectus dated 8 December 2006 (the "Prospectus").

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010 were also placed in short term deposits with licensed banks in Hong Kong. As at 31 December 2016, all the net proceeds were utilised for enhancing the production facilities of a jointly controlled entity invested by the Group and financing the working capital.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 30 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on pages 68 and 69 of this annual report and note 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, the Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB834.5 million (2015: RMB817.4 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including share premium and contributed surplus, of the Company.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2016 are set out in note 28 to the consolidated financial statements and the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this annual report were:

Executive Directors:

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

Non-executive Director:

Ms. WU Xiaohui

Independent Non-executive Directors:

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

Pursuant to Article 87 of the Articles of Association, Mr. Liu Jinlan, Mr. Zhang Yuxiao 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 15 to 18 of this annual report.

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

RELATED PARTY TRANSACTIONS

Certain related party transactions were entered into by the Group during the year ended 31 December 2016, the details of which are set out in note 35 to the consolidated financial statements. Save as disclosed herein, no other related party transactions were entered into by the Group during the year ended 31 December 2016.

CONNECTED TRANSACTIONS

On 1 February 2016, Jiangsu Xingda Special Cord Co., Ltd., ("Xingda Special Cord") an indirect non wholly-owned subsidiary of the Company, entered into an equity transfer agreement and supplemental agreement (collectively called the "Agreements") with a shareholder of Shandong Xingda Steel Tyre Cord Co., Ltd. ("Vendor"). Pursuant to the Agreements, Xingda Special Cord has the right to acquire all the equity interest held by the Vendor within 180 days, representing 24.5% of the total paid-up share capital of Shandong Xingda Steel Tyre Cord Co., Ltd., for a total consideration of RMB117,549,000. Xingda Special Cord executed the right of acquiring the shares from the Vendor in June 2016 and this acquisition.

As the Vendor was a substantial shareholder of Shandong Xingda, a subsidiary of the Company, (i) the Vendor was a connected person of the Company at the subsidiary level. As the highest applicable ratio under Rule 14.07 of the Listing Rules was more than 5% but less than 25%, the acquisition of the relevant equity interest in Shandong Xingda constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2016. There was also no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year ended 31 December 2016.

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 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies ("Model Code") contained in the Listing Rules, were as follows:

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

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 31 December 2016 *(note 5)*
Liu Jinlan	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	594,603,000	40.356%
Liu Xiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 2)*	594,603,000	40.356%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 3)*	594,603,000	40.356%
Zhang Yuxiao	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 4)*	594,603,000	40.356%
Koo Fook Sun, Louis	Beneficial owner	150,000	0.010%
William John Sharp	Beneficial owner	150,000	0.010%
Xu Chunhua	Beneficial owner	50,000	0.003%

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

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

Notes:

1. Mr. Liu Jinlan held 15,850,000 shares in his own name as at 31 December 2016. 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 2016, Great Trade Limited held 238,348,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

2. Mr. Liu Xiang held 1,800,000 shares in his own name as at 31 December 2016. 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 2016, In-Plus Limited held 135,064,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

3. Mr. Tao Jinxiang held 2,736,000 shares in his own name as at 31 December 2016. 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 2016, Perfect Sino Limited held 111,229,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

4. Mr. Zhang Yuxiao held 800,000 shares in his own name as at 31 December 2016. 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 2016, Power Aim Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

5. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2016, i.e.,1,473,409,693. A total number of 4,963,000 shares of the Company were bought back by the Company in November and December 2016 but not yet cancelled as at 31 December 2016.

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

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

Name of Director	Capacity	Associated corporation	Number of associated corporation	Approximate percentage of ordinary registered capital shares in of the associated corporation as at 31 December 2016
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	743	0.000074%

Save as disclosed above, as at 31 December 2016, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executive's interests and Short Positions in Shares, Underlying Shares and Debentures' and for the share award scheme adopted by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share award scheme for the year ended 31 December 2016 are set out in note 31 to the consolidated financial statements.

DEED OF NON-COMPETITION

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

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

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

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

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

As at 31 December 2016, 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:

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

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of shares	Approximate percentage of issued share capital of the ordinary Company as at 31 December 2016 *(note 4)*
Great Trade Limited	Beneficial owner	238,348,000	16.18%
In-Plus Limited	Beneficial owner	135,064,000	9.17%
Perfect Sino Limited	Beneficial owner	111,229,000	7.55%
Hang Youming	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	594,603,000	40.36%
E-Star Corporation	Beneficial owner *(note 2)*	106,649,400	7.24%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 2)*	106,649,400	7.24%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 2)*	106,649,400	7.24%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation *(note 2)*	106,649,400	7.24%
Lu Guangming George	Interests of controlled corporations *(note 3)*	83,187,600	5.65%

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

Long positions in shares and underlying shares of the Company – *CONTINUED*

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 9,326,000 shares in his own name as at 31 December 2016. 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 2016, Wise Creative Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. COFCO Corporation (formerly known as COFCO Limited) owned 100% of the issued share capital of COFCO (BVI) Limited, which in turn owned 100% of the issued share capital of COFCO (BVI) No. 88 Limited, which in turn owned 100% of the issued share capital of E-Star Corporation. As at 31 December 2016, E-Star Corporation held 106,649,400 shares in the Company. For the purpose of Part XV of the SFO, COFCO Corporation (formerly known as COFCO Limited), COFCO (BVI) Limited and COFCO (BVI) No. 88 Limited are deemed to be interested in the shares in the Company held by E-Star Corporation

3. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax Investments, LLC. As at 31 December 2016, 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 2016. 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.

4. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2016, i.e.,1,473,409,693. A total number of 4,963,000 shares of the Company were bought back by the Company in November and December 2016 but not yet cancelled as at 31 December 2016.

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 2016 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

Guided by the principle of maximizing return for shareholders and without material prejudice to the Company's working capital and gearing ratio, The Company repurchased 19,048,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB43.9 million for the year ended 31 December 2016,. Such shares have been cancelled up to the date of this annual report. Details of repurchases are as follows:

		Repurchasing price for each share		Aggregate consideration paid	
	Number of ordinary shares	Highest	Lowest		Equivalent
Month of repurchase	repurchased	HK$	HK$	HK$ Million	to RMB Million
June 2016	2,436,000	1.80	1.62	4.3	3.6
July 2016	4,472,000	2.12	1.84	9.0	7.7
September 2016	5,117,000	3.08	2.71	15.2	13.1
October 2016	2,060,000	3.20	3.08	6.5	5.7
November 2016	3,151,000	3.20	3.00	9.9	8.6
December 2016	1,812,000	3.20	3.09	5.7	5.2
Total	19,048,000			50.6	43.9

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Human Resources Department on the basis of their merit, qualifications and competence and reviewed by the executive Directors. The Company operates a share award scheme, details of which are set out in note 31 to the consolidated financial statements.

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

EMOLUMENT POLICY – *CONTINUED*

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 2016 is disclosed in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 33% of the Group's total revenue and the largest customer contributed approximately 8% of the Group's total revenue for the year ended 31 December 2016. The five largest suppliers represented approximately 84% of the Group's total purchases and the largest supplier represented approximately 77% of the Group's total purchases for the year ended 31 December 2016.

None of the Directors, their close 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

24 March 2017

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, except for the following:–

Code provision A.2.1 provides, among other things, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure that the Board acts in the best interest of the Company. The Company does not have the position of chief executive and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining executive Directors, the Executive Committee of the Company which has been established for determining, approving and overseeing the day-to-day control over the allocation of the Group's resources also segregates the duties of Mr. Liu Jinlan.

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

Code provision A.6.7 provides, among other things, that independent non-executive Directors and non-executive Directors should attend general meetings. Ms. Wu Xiaohui, a non-executive Director, Mr. Koo Fook Sun, Louis and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 20 May 2016 as they had to attend other meetings or were engaged in other businesses and commitments. However, Ms. Wu, Mr. Koo and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the non-executive Directors and independent non-executive Directors was ensured.

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

CORPORATE GOVERNANCE REPORT

THE BOARD

Composition and responsibilities

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

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

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

The Board currently comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. The executive Directors are Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao. The non-executive Director is Ms. Wu Xiaohui. The independent non-executive Directors are Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua. The biographical details of the Directors are set out on pages 15 to 18 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 BOARD – *CONTINUED*

Composition and responsibilities – *CONTINUED*

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

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

Meetings

The Board will meet regularly at least four times a year at approximately quarterly intervals. For the year ended 31 December 2016, the Board held four meetings to discuss and approve various important matters. The table below sets out the attendance of each Director at the AGM and the meetings of the Board and other Board committees held during the year ended 31 December 2016:

	AGM	Board	Audit Committee	Remuneration and Management Development Committee	Nomination Committee	Executive Committee	Manufacturing and Operations Committee	Investment and International Development Committee
Executive Directors								
Mr. LIU Jinlan	1/1	4/4	N/A	N/A	1/1	1/1	1/1	1/1
Mr. LIU Xiang	1/1	3/4	N/A	N/A	N/A	N/A	1/1	N/A
Mr. TAO Jinxiang	1/1	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. ZHANG Yuxiao	1/1	4/4	N/A	N/A	N/A	1/1	N/A	1/1
Non-executive Director								
Ms. WU Xiaohui	0/1	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors								
Mr. KOO Fook Sun, Louis	0/1	4/4	3/3	2/2	1/1	N/A	N/A	N/A
Mr. William John SHARP	1/1	4/4	3/3	2/2	N/A	N/A	N/A	N/A
Ms. XU Chunhua	0/1	4/4	3/3	N/A	1/1	N/A	N/A	N/A

THE BOARD – *CONTINUED*

Meetings – *CONTINUED*

The management of the Company shall submit all relevant materials for the discussion in the meeting in advance. Notice convening the meeting shall be sent to the members of the Board or the Board committees at least fourteen days before the Board meeting or no later than seven working days before the date of the Board committee meeting so that they can make necessary arrangement to attend the meeting either in person or by telephone. Documents and all relevant materials required for the meeting shall be sent to the members of the Board or the Board committees at least three days (or other agreed period) in advance, which ensures enough time is given to them to review the documents and get prepared for the meeting.

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

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

Appointment and Re-election

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

Each of the independent non-executive Directors has signed a letter of appointment for a term of three years which is determinable by either party at any time by giving to the other not less than three months' prior written notice. Thereafter, the term shall continue subject to termination by either party by giving to the other not less than three months' prior written notice. In 2016, all independent non-executive Directors have served the Company for more than 9 years and their further re-appointment shall be subject to a separate resolution to be approved by shareholders in accordance with the requirements under Code Provision A.4.3 of the Corporate Governance Code.

Pursuant to Article 87 of the Articles of Association, Mr. Liu Jinlan, Mr. Zhang Yuxiao 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 BOARD – *CONTINUED*

Training and continuous professional development

The Directors acknowledge the need to develop and refresh their knowledge and skills by participating in training and continuous professional development courses. During the year, the Company arranged and provided suitable in-house training courses for all Directors to update them about the amendments to the Listing Rules, the revised code provisions of the Corporate Governance Code and their role and functions. The training records kept and provided by the Directors in the year 2016 are as follows:–

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

During the year ended 31 December 2016, the Company updates all Directors on the Company's monthly performance, position and prospects by providing them with financial data including monthly management accounts and production plan.

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

Indemnification of directors and officers

The Company has arranged for appropriate Directors' and officers' liability insurance throughout the year ended 31 December 2016 to indemnify the Directors and officers for their liabilities arising out of corporate activities. The insurance coverage and premium is reviewed on an annual basis.

BOARD COMMITTEES

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

Audit Committee

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

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

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

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

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

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

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

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

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

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

BOARD COMMITTEES – *CONTINUED*

Audit Committee – *CONTINUED*

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

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

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

During the year ended 31 December 2016, the Audit Committee had three meetings and out of these, two meetings were held with the external auditor. During the meetings held, the Audit Committee had performed the following work:

- reviewing the audited financial statements for the year ended 31 December 2015 and the unaudited financial statements for the six months ended 30 June 2016;
- 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 2016;
- reviewing any improprieties raised by the employees under the whistleblowing system regularly and ensuring proper independent investigation was followed; and
- reviewing the risk management and internal control systems of the Group.

On 23 March 2017, the Audit Committee met with the external auditor to mainly discuss the general scope of their audit work and reviewed the financial statements for the year ended 31 December 2016 as well as the management letter issued by the external auditor for the annual audit for the year ended 31 December 2016.

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

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee

The Company established the remuneration committee on 23 August 2005, which was then re-designated as the Remuneration and Management Development Committee (the "Remuneration Committee") on 30 September 2005. The major roles and functions of the Remuneration Committee are to evaluate the performance of all Directors and senior management of the Group and make recommendations to the Board on the Group's corporate goals, policy and structure for all remuneration of Directors and senior management, to make recommendations of remuneration packages of executive Directors and senior management, to make recommendations of remuneration for non-executive Directors to the Board, to ensure that no Director or any of his associates is involved in deciding his own remuneration and to monitor the operation of the share award scheme of the Company. The purposes of the share award scheme are to encourage and retain employees to work with the Group and to provide incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the employees directly to the shareholders of the Company through ownership of its shares.

The Company has adopted the model whereby the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office(s) or appointment(s).

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

The Remuneration Committee met two times during the year ended 31 December 2016. A summary of work performed by the Remuneration Committee during the year is set out below:

- recommending the Board on the remuneration packages of the Directors and senior management of the Group for the year ended 31 December 2015; and

- evaluating and making recommendations to the Board on the remuneration policy of the Directors and senior management of the Group for the year ended 31 December 2016 with reference to the remuneration package of the Board in 2016 and the Group's estimated financial performance for the year ended 31 December 2016.

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *CONTINUED*

Subsequent to the year 2016, the Remuneration Committee held another meeting on 3 March 2017. At such meeting, the Remuneration Committee:

- considered the performance of the executive Directors and the Group and the total remuneration and compensation of the executive Directors for the year 2016;
- evaluating and making recommendations to the Board on the remuneration policy of the Directors and senior management of the Group for the year ended 31 December 2017 with reference to the remuneration package of the Board in 2016 and the Group's estimated financial performance for the year ended 31 December 2017;
- resolved that the total remuneration and compensation of the Directors and senior Management paid for the year ended 31 December 2016 was approved, ratified and recommended to the Board; and
- approving the vesting of share awards to the employees of the Group upon the achievement of financial performance target of the Group in the years 2015 and 2016.

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

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

	Number of individuals
RMB1,000,000 or below	10
RMB1,000,001–RMB2,000,000	2
RMB2,000,001–RMB3,000,000	1
RMB5,000,001–RMB6,000,000	2
RMB8,000,001–RMB9,000,000	2
RMB12,000,001–RMB13,000,000	1

Nomination Committee

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

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *CONTINUED*

Nomination Committee – *CONTINUED*

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

(a) to evaluate the credentials of the candidates for directorship, to make recommendations to the Board regarding candidates to fill vacancies on the Board and to ensure that no Director or any of his associates is involved in approving his/her or any of his/her associates' nomination;

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

(c) to carry out the process of selecting and recommending candidates for directorship with reference to the selection guidelines which include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills;

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

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

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

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

During the year ended 31 December 2016, the Nomination Committee reviewed the structure, size and composition of the Board in the one meeting held. There was no nomination of Directors to fill Board vacancies in the year ended 31 December 2016.

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

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

During the year ended 31 December 2016, the Nomination Committee members have reviewed the composition of the Board and the Policy to ensure its effectiveness.

BOARD COMMITTEES – *CONTINUED*

Executive Committee

The Company established the Executive Committee on 30 September 2005. The principal functions and responsibilities of the Executive Committee are to determine, approve and oversee the day-to-day control over the allocation of the resources of the Group. The Executive Committee consists of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2016.

Manufacturing and Operations Committee

The Company established the Manufacturing and Operations Committee (with the Manufacturing Sub-committee and the Operations Sub-committee) on 30 September 2005. The principal functions and responsibilities of the Manufacturing and Operations Committee and the respective sub-committees are to consider, approve and oversee the Group's day-to-day manufacturing and operations related strategic development and allocations of resources and make recommendations on new initiatives to the Board for approval. The Manufacturing and Operations Committee consists of three Directors, namely Mr. Liu Jinlan, Mr. Liu Xiang and Mr. Tao Jinxiang. The chairman of the Manufacturing and Operations Committee is Mr. Liu Jinlan. The Manufacturing and Operations Committee had one meeting during the year ended 31 December 2016.

Investment and International Development Committee

The Company established the Investment and International Development Committee on 30 September 2005. The principal functions and responsibilities of the Investment and International Development Committee are to consider, approve and oversee the Group's international market development and investment related initiatives and allocations of resources, and make recommendations on new development initiatives to the Board for approval. The Investment and International Development Committee consists of three Directors, namely Mr. Liu Jinlan, Mr. Zhang Yuxiao and Mr. Tao Jinxiang. The chairman of the Investment and International Development Committee is Mr. Zhang Yuxiao. The Investment and International Development Committee had one meeting during the year ended 31 December 2016.

COMPANY SECRETARY

The Company Secretary, Mr. Cheng Kam Ho, took no less than 15 hours of relevant professional training for the year ended 31 December 2016. Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and his biography is set out in the section headed "Directors and Senior Management" on page 18 of this annual report. For the year under review, Mr. Cheng provided his working report to the chairman of the Board, Mr. Liu Jinlan, directly. Mr. Cheng also reported to the Board members on the amendments to the Listing Rules and corporate governance practices particularly relating to director's duties and responsibilities on a timely manner.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Articles of Association in the year ended 31 December 2016. A copy of an up-to-date consolidated version of the Memorandum of Association and Articles of Association has been uploaded and maintained on the websites of the Company and the Stock Exchange.

SHAREHOLDERS RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for shareholders to put forward proposals at a general meeting

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

The contact details of the Board and the company secretary of the Company are as follows:

Address: Unit S03, 7/F, Low block, Grand Millennium Plaza, 181 Queen's Road Central, Central, Hong Kong
Fax: 852-2120 5207

Procedures for shareholders to propose a person for election as a director

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

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

SHAREHOLDERS RIGHTS – *CONTINUED*

Procedures for directing shareholders' enquiries to the Board

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

Address: Unit S03, 7/F, Low block, Grand Millennium Plaza, 181 Queen's Road Central, Central, Hong Kong
Fax: 852-2120 5207

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 2016, 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 2016, 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 60 to 64 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2016, the Group paid approximately RMB1,739,000 and RMB340,000 to the external auditor in respect of audit services and non-audit services, respectively. The non-audit services provided by the external auditor during the year were for performing review on the interim financial statements of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to facilitate and implement the risk control effectively, the risk management policies and procedures were designed and approved by the Board. The risk management covers four aspects including strategic, financial, operational and compliance controls. According to the adopted policies, the Board delegated the Audit Committee to assess the risk management and internal control systems on an on-going basis (at least annually) to ensure they are effective, efficient and adequate. The results of the assessment would be passed to the Board for discussion and review.

As at the date of the report, the Audit Committee and Board have assessed the risk management and internal controls of the Group. The assessment result reflects that no significant weakness was found in the risk management system and internal control system of the Group and the risk management and internal control systems are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

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 laws 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 are functioning effectively. In order to monitor the systems effectively, the Group established an internal audit department in January 2007. The internal audit department is responsible for performing regular reviews on the internal control systems of the Group to provide reasonable assurance on the effectiveness, soundness, adequacy and completeness of the Group's internal control systems.

In addition to the internal audit department, the Group also engaged an independent professional body to assist in assessing and reviewing the Group's internal control system on a regular basis with an aim to ensure sufficient resources are employed and people with adequate qualification and experience take part in the internal control systems review. The Board will continue to conduct reviews on the internal control systems and will take all necessary measures to safeguard the Group's assets and the interests of shareholders, customers and employees.

Process used to identify, evaluate and manage significant risks

The first step of the risk assessment process is that the responsible personnel of the operating units should be responsible to ascertain and identify the risk events relating to the operating units from the perspective of the different risk categories. After that, the identified risks would be ranked and classified to different risk levels where reference would be made to the potential impact upon the Group and the likelihood of occurrence of the risk concerned. Those identified risks with different risk levels are recorded in the risk register. The well-defined risk monitoring plan with detailed steps of action and timing of implementation clearly stated is designed by the responsible personnel of each operating unit and then finally submitted to the Board for review and approval.

Main features of Risk Management and Internal Control Systems

The establishment of a risk register is the main feature of the risk management and internal control systems of the Group. The risk register is used to record the identified risks for the management to keep track and evaluate on such risks. The responsible personnel of the operating units regularly update the risk register and risk monitoring plan on an on-going basis to ensure that all key risks faced by the Group are effectively handled by the Group. The internal control systems and procedures would also be regularly evaluated by the Audit Committee and the Board to ensure that the identified risks are handled in an efficient manner.

The Group adopted an ongoing risk assessment approach to identify and assess the key inherent risks that affect the achievement of its objectives. The assessment of risks level refers to the likelihood of occurrence of the risk concerned and the potential impact upon the Group. The likelihood of risk occurrence which can be classified into five classes including: Rare (1), Unlikely (2), Possible (3), Likely (4) and Almost Certain (5). The potential impact upon the Group can be classified into five classes: Insignificant (1), Minor (2), Moderate (3) Major (4) and Catastrophic (5). Based on different levels of likelihood of occurrence of the risk concerned and the potential impact upon the Group, the Group would decide on the level of attention and effort required to monitor the identified risks.

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

Risks handling approach

All business units are obligated to design the risk monitoring plans and to carry out the actions required to avoid/mitigate/transfer the risks in accordance with the priority list of the risks identified and assessed. The Board acknowledges that the risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Process used to review the effectiveness of the Risk Management & Internal Control Systems and to resolve material internal control defects

In order to comply with the Code Provision C.2 of the Corporate Governance Code, the enterprise risk assessment and internal control systems review are conducted by the Group during the year ended 31 December 2016. The four aspects of risk assessment and control systems including strategic, financial, operational and compliance are reviewed by Audit Committee and Board. Both the Audit Committee and the Board are satisfied that there has been no major and significant deficiency nor defects noted in the areas of the Group's risk management and internal controls systems. The Board considered that the effectiveness of both risk management system and internal control system are ensured.

Procedures and internal controls for the handling and dissemination of inside information

The Company established the Policy and Procedures on Disclosure of Inside Information in order to handle and disseminate inside information. The Policy and Procedures on Disclosure of Inside Information provided the guidelines on:

1. the officers' obligations;

2. preservation of confidentiality of inside information before it is fully disclosed to the public;

3. handling of media speculations, market rumours and analysts' report;

4. circumstances that disclosure is prohibited;

5. disclosure of inside information to the public; and

6. communications with media and investors.

The officers of the Company must take all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement. The officers are required to notify the Executive Committee about any possible inside information which will in turn notify the Board as soon as reasonably practicable to decide on the appropriate prompt actions that should be taken with the aid of the legal advice provided by the independent legal adviser.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

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 inside information.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

In addition to the annual general meeting which is opened to all shareholders and members of the press, the Company holds analysts briefings and press conferences through various channels to maintain communications between the shareholders and the management of the Company. During the year ended 31 December 2016, 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 advice from the investors were communicated to the management for providing responses in a timely manner. In order to strengthen the communication and interaction with the investors, the Company will continue to focus on enhancing communications with investors through various means by organizing more non-deal roadshows, company visits and meetings in the future.

On 20 May 2016, the Chairman of the Board, as well as Chairman of each of the Board Committees, or in their absence, at least one member of the respective Committees attended the annual general meeting to answer any questions raised by the shareholders. During that day, the external auditor was also available to answer any questions from the shareholders about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

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

2016 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

By virtue of advanced production technology, strong research and development competences and strict quality supervision of the Group, Xingda has laid a solid business foundation in China and become a leading manufacturer of radial tire cords. Xingda has been pursuing business progress constantly, also consistently paying attention to environment protection and social responsibilities in order to reduce emission, make full use of resources and give back to society while guaranteeing the rights of shareholders.

The success of Xingda relies on the joint effort of all the employees, so the Group formulated some policies to safeguard employee rights, ensure safety of the working environment and provide training and promotion opportunities for them. Xingda believes that good working environment and training opportunities can improve employee performance and boost the technology and business of Xingda to a higher level.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION

Emission reduction

The Group's subsidiary Jiangsu Xingda is mainly engaged in the production, and Shandong Xingda is also responsible for part of production. The main emissions generated in the process of production and related control measures are as follows:

Waste water	Waste gas	Waste material
pH: Acid-base neutralization COD: Demulsification + Physico-chemical precipitation + biochemical degradation Cu: Acid-base neutralization + coagulation sedimentation Zn: Acid-base neutralization + coagulation sedimentation P: Acid-base neutralization + coagulation sedimentation + biochemical degradation Oil-polluted water: Physico-chemical precipitation + biochemical degradation	Hydrogen chloride: Alkaline liquor spraying absorption	Sludge: Reduction in sludge disposed by waste water and commission the qualified unit for disposal Household garbage: commission the sanitation department for disposal

The Group has formulated policies about emission reduction and abided by related regulations about emission reduction. As for waste water, we have been devoted to improving the technology applied in production workshops to reduce the discharge volume of waste water from the source while recycling it in waste water treatment stations. Besides, the Group built two new waste water treatment stations by which waste water can be quality-separating treated and conforms to emission standards. Via this step, Jiangsu Xingda's discharge volume of waste water was reduced from 1,384,655 cubic meters in 2015 to 1,300,000 cubic meter. The discharge volume of waste water of Shandong Xingda was 27,000 cubic meters.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Emission reduction – *CONTINUED*

During production, the main waste gas of Jiangsu Xingda is hydrogen chloride. Because we have adopted multiple alkaline liquor absorption towers in series to reduce the emission concentration of waste gas and the total discharge volume of hydrogen chloride, the discharge volume of hydrogen chloride was reduced from 2.35 tonnes in 2015 to 2.24 tonnes, the emission concentration being 12 milligrams per cubic meter. As for waste gas of Shandong Xingda, it also met related standards and there was no record of greenhouse gas emission.

The sludge created during the Group's production (Pickling sludge, Electroplating sludge, Finish sludge, Ferruginous waste HCL) belongs to hazardous waste, which was fully entrusted to qualified parties to handle in a proper manner and the discharge volume was reduced to zero. In 2016, the actual volume of sludge by Jiangsu Xingda was 10,578 tonnes. Due to the optimization of the technology of waste water treatment stations, the discharge volume per cord was reduced from 17.19 kilograms per tonne in 2015 to 16.48 kilograms per tonne.

The harmless solid waste discharged by Jiangsu Xingda belongs to basic household garbage, which was fully entrusted to the environmental sanitation station of Dainan Town to handle and didn't create impact on environment.

Application of resources

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

Year	2010	2011	2012	2013	2014	2015	**2016**
Energy consumption per unit product (tce/t)	0.82	0.76	0.71	0.67	0.62	0.61	**0.58**
Energy consumption per unit of output value (tce/RMB0'000)	0.42	0.38	0.41	0.47	0.47	0.53	**0.54**

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

The Group strictly abided by the Law of the People's Republic of China on Conserving Energy, Regulations of Jiangsu Province on Conserving Energy, Regulations of Shandong Province on Conserving Energy and related laws and regulations, filled out the online energy consumption form (State Statistics Bureau), energy efficiency supervision form and energy utilization status report regularly every month, and regularly accepted related inspections by superior energy-saving supervision authorities. The Group never had any violation in this aspect.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Application of resources – *CONTINUED*

The Group has been pursuing high efficiency utilization of resource during its production and operation. In 2016, through the incessant optimization of technology, the Group not only reduced the marginal baseline length of products in the whole production process to reduce the loss of raw material, but also optimized the layout of workshops, properly formulated equipment layout and operation procedure, reduced waste of energy and resource caused by waiting. Besides, the Group also successfully reduced energy consumption through the use of high efficiency LED industrial lighting, high efficiency and energy-saving motors, transformers and so on.

The Group carried out energy-saving actions from two aspects of management and technology. For instance, via technology improvement, the Group kept trying to apply straight-stretching technique on all sorts of copper plating wires and omitted the intermediate heat treatment process; it adopted new-type XD series machining tools which can reduce electricity consumption by one third compared with original DTA series machining tools; it gradually changed 105W fluorescent energy-saving lights used in workshops to 60W high efficiency LED energy-saving lights and 2,364 lights were changed in 2016 to expect to save 383,000 KWH in the next year; it tried to replace the current motors with high efficiency permanent magnet synchronous motors, which is expected to save 4%-6% of energy. At the same time, we tried to utilize high efficiency centrifugal air compressor to realize concentrated networking air supply and have built a regional air supply station, which will be promoted after verification of effect.

Through multiple energy-saving measures, in 2016, the energy consumption per unit product of steel cord, the main product of Jiangsu Xingda, was reduced by 4.29% compared with that of 2015; electricity consumption per unit product was reduced by 3.53% compared with that of 2015. The total amount of electricity consumed by Jiangsu Xingda in 2016 was 1,041,671,840KWH, natural gas consumed being 32,036,501 cubic meters, diesel 314 tonnes, and coal 217,599 tonnes. If converted to standard coal, the consumption was 306,491 tonnes (equivalent value), i.e., every tonne of product consumed 0.5 tonne of standard coal on average. Besides, in 2016, Shandong Xingda's electricity consumption was 92,138,600 KWH, 2,200 lights were changed from 105W fluorescent energy-saving lights to 40W LED energy-saving lights, which saved 616,000 KWH of electricity, equivalent to 203.2 tonnes of standard coal.

The industrial water consumption of Jiangsu Xingda in the whole year was 10,828,533 tonnes, on average every ton of product consuming about 17 tonnes of water. The Group has been devoted to carry out water-saving measures. As a result, about 91% of industrial water was recycled and the reuse rate of waste water which met the standard after treatment was about 70%. Shandong Xingda also adopted strong magnetic adsorption of coarse continuous washing to recycle and utilize waste water, which can save 5,000 tonnes of water every year. In 2016, Shandong Xingda discharged 20,000 cubic meters of waste water in total, which was all treated in a proper manner, first being treated by the Company's waste water station, then being discharged to the waste water treatment station of local government for further treatment, to make sure water quality conformed with national standard strictly.

As for packaging material, in the whole year, Jiangsu Xingda used 24,000,000 spools, 270,000 wooden pallets, 1,920,000 partition plates, 183,000 plastic pallets, 528,000 sets of carton box. The Group has taken related countermeasures to reduce packaging material. All the packaging material for spools was recycled. If no damage, it was used directly. If there was repairable damage, it would be used after repair and meeting using standard. The use rate reached 85%.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Environment and natural resources

The Group's business doesn't make significant influence on environment and natural resources, but all the departments will not slacken and they have been devoted to protecting environment and using natural resources with care in all aspects and promoting the sustainable development of Company's business. We installed PH value online-monitoring device in the clean sewages of all the workshops and set up "emergency lagoon for clean sewage" to make sure abnormal waste water can be recovered to waste water stations for treatment. Besides, electrified flashboards were installed in all the outlets to make sure abnormal waste water is not leaked. In terms of waste gas, we used multiple towers connected in series to handle and installed hydrogen chloride online-monitoring system to realize super-low discharge. The solid waste was all collected, classified and storage. General solid waste was sold, dangerous solid waste was delivered and handled by qualified parties, and household garbage was entrusted to environmental sanitation departments for treatment. In order to reduce the influence on nearby environment, workshop walls adopted sound insulating and absorbing material while doors were equipped with sound insulation curtains. All the measures reduced noise pollution to environment.

EMPLOYEE POLICIES

Basic information

As of 31 December 2016, Xingda has a total of 6,770 employees. Its average monthly separation rate in 2016 was 2.05%. Basic information of current employees classified by position and age is set out below:

By position

Middle and senior management		Technicians and grassroots management		Assistants and operating staff	
Number of persons	**Percentage**	**Number of persons**	**Percentage**	**Number of persons**	**Percentage**
167	2.47%	422	6.23%	6,181	91.30%

By age

Under 20		20-35		35-50		50 or Above	
Number of persons	**Percentage**	**Number of persons**	**Percentage**	**Number of persons**	**Percentage**	**Number of persons**	**Percentage**
34	0.50%	4,006	59.17%	2,573	38.01%	157	2.32%

EMPLOYEE POLICIES – *CONTINUED*

Rights and interests of employees

The Group has formulated related policies to safeguarding employee rights and abided by all the related national and local laws and regulations. At the same time, the Group set up the open recruitment mechanism to make sure employees can obtain reasonable salary and ideal promotion opportunities. All the recruitments are comprised of internal and external parts. Recruitment information is released in public. The HR center uniformly screens resumes, arranges the first interview, written examination. Anyone passing the written examination and meeting the employment requirements will be recommended to the department the position belongs to.

The labor union of Xingda set up a committee to protect female employees and signed the Specialized Collective Agreement on Protection of Female Employees' Rights and Interests, which involved female employee representatives from different levels of supervision and conciliation organizations in the Company. Wages for male and female employees is calculated basing on their corresponding positions' grade standard, competence, years of experience, work attendance, monthly performance. The Group prohibits sex discrimination, meanwhile formulates the Clauses on Protection of Female Employees' Special Interests to safeguard their special needs.

Occupational safety

Xingda has worked out regulations such as Occupational Disease Prevention, Occupational Safety and Health Education Management System, Dust and Poison Prevention Facility Management System and Other Systems and Procedures for Management of Occupational Health and Safety Monitoring and Measurement. Besides, it has even directly cited the Production Safety Law of the People's Republic of China, Labor Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Regulation on Work-Related Injury Insurances and other relevant laws, regulations and requirements. The Group passed the acceptance inspection with the standard of safety standardization (level 3) for machine manufacturing, obtained the certificate for safety standardization; meanwhile, it achieved the certificate for GB/T28001 occupational health and safety systems. The Group complied with related laws and regulations. In addition to the conduction of propagation and education about knowledge of related laws and regulations, the Group also conducted training toward employees basing on the collected protection knowledge aiming at the harmful substances in working sites.

The Group attaches great importance to the safety of employees and has been devoted to providing safe working environment. For instance, the Group added harmful gas collection device and ventilation equipment in workplaces with harmful gas and dust, installed shock absorption and noise control device in places having noise. The Group also provides employees with corresponding working protection equipment and supervises them to wear correctly. Besides, we also organize check-ups for employees having opportunities to contact harmful substances, meanwhile post safety warning marks and set up a bulletin board to remind employees to pay attention to the protection and make it well done.

Training is the first step to avoid accidents, so we made a plan to respectively train company main leaders, management staff for safety production, special working staff, team or group leader and other employees, then evaluated according to the requirements. As a result, we obtained the mandatory certificates required by related national laws and regulations, including safety qualification certificates for company main leaders, qualification certificates for management staff of safety production, operation certificates for special working staff and so on. Other employees also need to take safety training and start working only after they are qualified. In 2016, the Group had no serious casualty accidents.

EMPLOYEE POLICIES – *CONTINUED*

Development, training and evaluation

According to related national and local laws and regulations, the Group formulated pertinent policies about employees' development and training, including Training Management Manual of HR Center, Training Management System for Xingda Employees, Internal Lecturer Management System and so on.

The Group has established a complete system for performance evaluation. Every year the Company evaluated its operation objectives in four aspects (finance, customer relationship, internal operation, learning and development), and then department leaders assess their objectives step by step. After evaluation of every month, superiors will communicate with their employees, discuss improvement plans and formulate continuous improvement plans.

In addition, the Group surveys all the department and subsidiaries early of October every year to get their training demand, then combines it with company strategies, employee's position requirements and career development to make an overall planning and formulate the annual training plan. In 2016, we organized 1,410 trainings covering management, research and development, technology, quality, system, safety and so on.

In 2016, respective departments and subsidiaries of Jiangsu Xingda organized training for employees of different levels. The overall training person-time reached 71,500 and the total training time lasted for 167,600 hours; the training time per person was 2.34 hours. Besides internal training, Xingda also subsidized external studies for employees. In 2016, the Xingda Institute invited teachers from a management consulting company to provide training for employees, and sent employees to attend 23 external trainings, including Key Account Marketing and Account Management, CQI-9 Heat Processing Training, the Application of Advanced FMEA for research and development and Production Departments and so on.

Labor norm

The Group has formulated policies to prevent child labor and force labor, it is clearly stipulated that all the employees must be not younger than 18 years old. When recruiting and taking entry, employee's effective identity cards will be strictly verified, meanwhile the incumbent employees will also be checked. As for overtime work, employees follow the principle of free will and need to fill out overtime work application. Only after getting approval of different levels of management, employees can work overtime.

In addition, we irregularly check whether there is any misconduct in all the production units, such as, charging money from employee, taking material or identity cards as mortgage, forcing employee to work, cheating, hitting, body searching, threatening, insulting and so on. Besides, we also have the "union of democratic life" by which employees can reflect any condition about force labor by themselves.

If child labor found, related department will stop his or her working immediately and sent the child to take a check-up to make sure his or her health is not influenced by work. Meanwhile, we will send someone to escort the child back home and let the child's guardian to take over. To safeguard the child's right to accept compulsory education, the Group will follow up the education condition and provide economic support properly according to the family economic status. If force labor found, related department will stop this condition immediately, take a comprehensive inspection inside the Group to eradicate this kind of action and also propagate afterwards to make every employee know the countermeasures if encountering similar issues. What's more, we will take serious treatment toward departments and their leaders forcing labors and provide harmed employees with psychological tutoring and economic remuneration.

OPERATION CONVENTION

Supply-chain management

Most suppliers of the Group are located in Jiangsu province. Generally, the related department will target suppliers with reputation in industry, and then select via quotation comparison and negotiation. The audit department of the Group will also check and supervise the name list of suppliers and their purchasing price, examine and approve according to effective procedures in order to prevent fraud. To prevent the influence of supply-chain on environment and society, the Group formulated the environment management manual and manage supply-chain based on environmental influence management procedure of interested parties therein. Besides, Xingda will communicate with suppliers about environmental guidelines and may sign environment protection technology and safety agreements with them if necessary to reduce environmental influence as much as possible. If risks found, the regulation of emergency preparation and response in the Environment Management Manual will be followed for real-time treatment.

Product responsibility

The Group is mainly engaged in producing radial tire cords, bead wires and other wires. It has formulated policies about product responsibility to ensure reliable product quality and strictly abides by the Product Quality Law of the People's Republic of China, Product Liability Law and other related national laws and regulations. Meanwhile, the Group has passed the certification of ISO14001 environment system.

In terms of guaranteeing product quality, the Group stipulated detailed protection regulations for every step from raw material to transport and storage before finished product delivery in the Regulations on Product Protection Management. As for propagation supervision and label norm, we formulated the Management Regulations for Region Marking, Regulations on the Management of Product Marking, and Product Delivery Standards for Steel Cords Users and so on to make uniformed standard management of the Company's product markings. The Group also established "Intellectual Property Department" which is responsible for internal and external Intellectual Property management and safeguarding the right and legitimate rights of the Company and related parties in terms of Intellectual Property. The Group formulated the Information Management System, Employee Secrecy Regulations, Intellectual Property Management Methods, and Customer Property Control Procedures in order to ensure the safety of customer data and privacy. If any problem of the above-mentioned items happens, the Group will solve it as per the clear provisions of Corrective and Preventive Measures. In 2016, the Group never reclaimed any product sold or in transport due to safety or healthy reasons.

Anti-corruption

The Group sets up an initiative interest declaration mechanism. Any employee finding any corruption issue can report to member of audit committee.

All the production and operation activities of the Group conform to related laws, regulations and rules of the People's Republic of China. As of December 2016, the Group and its employees have not been given criminal sanctions due to a violation of the Criminal Law of the People's Republic of China.

OPERATION CONVENTION – *CONTINUED*

Anti-corruption – *CONTINUED*

Xingda made a great effort on enhancing construction of a clean government and establishing a fair operation atmosphere. For instance, it set up the regulation of "three prohibits", that is, prohibiting receiving and sending cash gifts, red pockets, purchasing cards, marketable securities; prohibiting claiming and receiving gifts related with power execution; prohibiting lubricating relationships via gift-sending and social engagement during holidays. These measures are to normalize behaviors of all employees, promote noble morality and establish a good atmosphere for company development.

Xingda has set up independent auditing department to prevent employees conducting bribery, blackmailing, fraud and other illegal activities. The Group encourages employee to report any corruption to the auditing committee directly and infuses the sense of anti-corruption to them through propagation department. Within the year, the Group didn't receive any report about violation and corruption.

GIVE BACK

Preferentially engage local personnel

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

Public welfare activities

The Group believes that supporting the cause of public welfare is the responsibility and obligation one enterprise should fulfill, which can also create a good sustainable development environment for it. Therefore, the Group proactively participates in public benefit activities such as poverty relief, establishing civilized ecological villages, environment governance, blood donation, money donation to fight calamities and so on.

In July 2008, Jiangsu Xingda contributed RMB4,000,000 to set up Jiangsu Xingda Love Care Foundation and registered it at provincial department of civil affairs. In recent years, Xingda Love Care Foundation spent RMB1,000,000 in total helping two employee sons with leukemia for ill treatment and also supported many poor people by solving their crying needs. In sum, Xingda Love Care Foundation has helped over 300 needy people and spent RMB4,000,000. The Chinese Public Welfare Federation and the Committee of Engineering Love in China jointly awarded the Company with the title of "Chinese Model Organization Caring for People's Livelihood and Public Welfare" as a social recognition of its public welfare activities. The Group persists in supporting social poor people, its affiliated union and Jiangsu Xingda Love Care Foundation organized visits to poor and miserable people and delivered warmth to them. In 2016, the Company contributed RMB87,500 in total to 49 poor people in the society.

GIVE BACK – *CONTINUED*

Volunteer service

As a responsible enterprise, the Company encourages employees to participate in volunteer service activities to make a contribution to the society; the "Volunteer Service Activity System" is thus formulated to have volunteer service activities rule-based and well-managed. Each year, the Group organizes to visit nearby nursing homes for the aged to deliver the courtesy. Besides, the Group awards certificates of honor as praises to employees who fulfill prominent deeds in public welfare. At the same time, the Group commends the sense of good citizenship and develops labor union and employee culture.

Enterprise is aggregation of citizens and support for the cause of public welfare is the responsibility and obligation of enterprises, which can also create a good development environment for enterprises. Looking to the future, Xingda will act as always, keep on fulfilling social responsibilities and support the cause of public welfare.

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)

OPINION

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 65 to 133, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS – *CONTINUED*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to its significance to the consolidated financial statements and there is a significant portion of trade receivables that are past due as at 31 December 2016 for which the Group has not provided for impairment loss. The valuation of trade receivables involves significant judgement and management estimates with respect the recoverability which relates to the risk that trade receivables position is not accurately reported. As 31 December 2016, the carrying amount of the Group's trade receivables net of allowance for doubtful debts was RMB2,196,259,000, out of which RMB207,933,000 were past due for which the Group had not provided for impairment loss as set out in note 24 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, in determining the recoverability of trade receivables, the management considers any changes in the creditability of its customers and assesses the recoverable amount of each individual receivables at the end of the reporting period.	Our procedures in relation to the recoverability of trade receivables included: • Understanding of how allowance for doubtful debts is estimated by the management; • Testing the accuracy of aging analysis of the trade receivables, on a sample basis, to the source documents; • Evaluating management's assessment on the recoverability of amount due from individual debtors with significant balances past due but not impaired; • Examining the subsequent settlement of trade receivables, on a sample basis, to the source documents; – for those individual debtors with little subsequent settlement or/and without any subsequent settlement, analysing the Group's business relationship with them and their payment history.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *CONTINUED*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *CONTINUED*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wu Chung Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016**	2015
		RMB'000	*RMB'000*
Revenue	8	**5,469,176**	4,736,889
Cost of sales		**(4,273,864)**	(3,886,725)
Gross profit		**1,195,312**	850,164
Other income	9	**36,170**	22,453
Gain on disposal of available-for-sale investment		**–**	131,644
Government grants	10 & 29	**31,333**	29,977
Distribution and selling expenses		**(443,532)**	(376,432)
Administrative expenses		**(303,896)**	(280,902)
Other gains and losses, net	11	**(26,285)**	(49,827)
Share of loss of a joint venture	36	**–**	(11)
Finance costs	12	**(21,481)**	(34,235)
Profit before tax		**467,621**	292,831
Income tax expense	13	**(72,899)**	(53,109)
Profit and total comprehensive income for the year, net of tax	14	**394,722**	239,722
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**277,792**	173,754
Non-controlling interests		**116,930**	65,968
		394,722	239,722
Earnings per share	17		
Basic (RMB fen)		**18.75**	11.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,804,440**	3,984,404
Prepaid lease payments	19	**275,192**	282,157
Investment properties	20	**140,190**	136,690
Fixed bank deposits with more than three months to maturity when placed	25	**900,000**	–
Deferred tax assets	21	**13,813**	16,583
Prepayments	22	**19,713**	4,000
		5,153,348	4,423,834
CURRENT ASSETS			
Prepaid lease payments	19	**6,965**	6,965
Inventories	23	**559,004**	395,810
Trade and other receivables	24	**2,260,590**	1,933,267
Bill receivables	24	**2,343,315**	1,973,563
Pledged bank deposits	25	**69,500**	17,500
Bank balances and cash	25	**480,170**	733,347
		5,719,544	5,060,452
CURRENT LIABILITIES			
Trade and other payables	26	**2,379,496**	1,718,818
Bill payables	26	**260,000**	–
Amount due to a related company	27	**3,081**	157
Tax liabilities		**42,537**	32,051
Borrowings – due within one year	28	**922,794**	514,953
Government grants	29	**7,000**	15,500
		3,614,908	2,281,479
NET CURRENT ASSETS		**2,104,636**	2,778,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,257,984**	7,202,807
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	**9,409**	39,609
NET ASSETS		**7,248,575**	7,163,198

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTE	**2016**	2015
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital	30	**146,365**	148,014
Share premium and other reserves		**5,081,935**	4,976,016
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,228,300**	5,124,030
NON-CONTROLLING INTERESTS		**2,020,275**	2,039,168
TOTAL EQUITY		**7,248,575**	7,163,198

The consolidated financial statements on pages 65 to 133 were approved and authorised for issue by the Board of Directors on 24 March 2017 and are signed on its behalf by:

_______________________________	_______________________________
LIU JINLAN	**ZHANG YUXIAO**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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 profits *RMB'000*	Shares held under share-award scheme *RMB'000*	Awarded shares compensation reserve *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2015	150,251	783,700	283,352	(130,150)	598,818	39,367	2,810	3,464,744	(32,428)	20,276	5,180,740	1,783,940	6,964,680
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	173,754	–	–	173,754	65,968	239,722
Appropriations	–	–	–	–	35,158	–	–	(35,158)	–	–	–	–	–
Dividend recognised as distribution *(note 16)*	–	(154,862)	–	–	–	–	–	–	–	–	(154,862)	–	(154,862)
Dividend recognised as distribution to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(41,000)	(41,000)
Shares vested under the share-award scheme	–	–	–	–	–	–	–	–	9,494	(9,494)	–	–	–
Repurchase of ordinary shares	(2,237)	(40,114)	–	–	–	–	2,237	(2,237)	–	–	(42,351)	–	(42,351)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	6,116	6,116	–	6,116
Investment revaluation reserve released on disposal of available-for-sale investment	–	–	–	–	–	(39,367)	–	–	–	–	(39,367)	(17,243)	(56,610)
Non-controlling interests arising on the recognition of a subsidiary previously treated as a joint venture *(note 36)*	–	–	–	–	–	–	–	–	–	–	–	247,503	247,503
At 31 December 2015	148,014	588,724	283,352	(130,150)	633,976	–	5,047	3,601,103	(22,934)	16,898	5,124,030	2,039,168	7,163,198
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	277,792	–	–	277,792	116,930	394,722
Appropriations	–	–	–	–	32,371	–	–	(32,371)	–	–	–	–	–
Dividend recognised as distribution *(note 16)*	–	(124,619)	–	–	–	–	–	–	–	–	(124,619)	–	(124,619)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(41,000)	(41,000)
Repurchase of ordinary shares *(note 30)*	(1,649)	(42,283)	–	–	–	–	1,649	(1,649)	–	–	(43,932)	–	(43,932)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	6,596	6,596	–	6,596
Purchase of shares for the purpose of share-award scheme	–	–	–	–	–	–	–	–	(13,341)	–	(13,341)	–	(13,341)
Capital contribution from non-controlling interests *(note 37)*	–	–	–	–	–	–	–	–	–	–	–	24,500	24,500
Acquisition of non-controlling interests in a subsidiary *(note 37)*	–	–	1,774	–	–	–	–	–	–	–	1,774	(119,323)	(117,549)
At 31 December 2016	**146,365**	**421,822**	**285,126**	**(130,150)**	**666,347**	**–**	**6,696**	**3,844,875**	**(36,275)**	**23,494**	**5,228,300**	**2,020,275**	**7,248,575**

Notes:

(a) Special reserve represents (i) 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; (ii) 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; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and the fair value of consideration paid in relation to the acquisition of the equity interest.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**467,621**	292,831
Adjustments for:			
Depreciation and amortisation		**522,420**	482,910
Interest income		**(17,167)**	(5,817)
Gain on fair value changes of investment properties	20	**(3,500)**	(6,450)
Share of loss of a joint venture	36	**–**	11
Gain on deemed disposal of a joint venture	36	**–**	(6,807)
Loss on disposal of property, plant and equipment		**13,228**	1,581
Gain on disposal of land use right		**–**	(7)
Gain on disposal of available-for-sale investment		**–**	(131,644)
Impairment loss recognised on trade and other receivables		**8,126**	71,005
Write-off of trade receivables		**3,695**	2,912
Impairment loss reversed on trade and other receivables		**(17,644)**	(27,454)
Recognition of equity-settled share-based payment		**6,596**	6,116
Finance costs		**21,481**	34,235
Operating cash flows before movements in working capital		**1,004,856**	713,422
(Increase) decrease in inventories		**(163,194)**	168,050
(Increase) decrease in trade and other receivables		**(309,339)**	65,496
(Increase) decrease in bill receivables		**(369,752)**	519,524
Decrease in prepayments		**3,000**	3,000
Increase (decrease) in trade and other payables		**633,327**	(480,285)
Increase in bill payables		**260,000**	–
(Decrease) increase in government grants received		**(8,500)**	5,500
Increase (decrease) in amount due to a related company		**2,924**	(4,100)
Purchase of ordinary shares for the purpose of share-award scheme		**(13,341)**	–
Cash generated from operations		**1,039,981**	990,607
Income taxes paid		**(89,843)**	(81,239)
NET CASH FROM OPERATING ACTIVITIES		**950,138**	909,368

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Placement of fixed bank deposits with more than three months to maturity when placed		**(900,000)**	–
Purchases of property, plant and equipment		**(323,202)**	(417,610)
Placement of pledged bank deposits		**(92,000)**	(71,500)
Prepayment for land use rights		**(18,713)**	–
Withdrawal of pledged bank deposits		**40,000**	62,000
Interest received		**5,006**	5,817
Proceeds on disposal of property, plant and equipment		**3,331**	1,373
Purchases of land use right		**–**	(418)
Proceeds on disposal of available-for-sale investment		**–**	266,044
Proceeds on disposal of land use right		**–**	723
Net cash inflow arising on acquisition of a subsidiary	36	**–**	15,970
NET CASH USED IN INVESTING ACTIVITIES		**(1,285,578)**	(137,601)
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(591,723)**	(911,352)
Dividends paid		**(124,619)**	(154,862)
Acquisition of additional non-controlling interests of a subsidiary		**(117,549)**	–
Payment on repurchase of ordinary shares		**(43,932)**	(42,351)
Dividends paid to non-controlling interests of a subsidiary		**(41,000)**	(41,000)
Interest paid		**(22,978)**	(30,380)
New bank borrowings raised		**995,664**	610,615
Capital contribution from non-controlling interests of a subsidiary		**24,500**	–
Other borrowings raised		**3,900**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**82,263**	(569,330)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(253,177)**	202,437
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**733,347**	530,910
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**480,170**	733,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 address of the registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of its business is Xinghua City, Jiangsu Province, the People's Republic of China (the "PRC").

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

The Company is an investment holding company and its subsidiaries are engaged in the manufacture and trading of radial tire cords, bead wires and other wires.

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

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

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

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Lease[3]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014 – 2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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

IFRS 9 Financial Instruments – *Continued*

Key requirements of IFRS 9:

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

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

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

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not expect the adoption of IFRS 9 will have material impact on the Group's financial statements based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2016 and at 31 December 2015.

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

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB792,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, the directors of the Company do not anticipate that the application of IFRS 16 will have material impact on the Group's financial statements based on an analysis of the Group's non-cancellable operating lease commitments as at 31 December 2016.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) the original liability is derecognised;

   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The directors of the Company anticipate that the application of these amendments to IFRS 2 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of these amendments to IFRS 2 will have a material impact on the Group's consolidated financial statements in future periods should such transactions arise.

Except as described above, the directors of the Company anticipate the application of other new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Basis of consolidation – *Continued*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Business combinations – *Continued*

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

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

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

Buildings under development for future owner-occupied purpose

Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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.

The Group as lessee

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

Leasehold land and building

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

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefit costs

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Taxation – *Continued*

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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Research and development expenditure

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

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

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

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

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

Inventories

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets – *Continued*

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial liabilities and equity instruments – Continued

Financial liabilities at amortised cost

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

Derecognition

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

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Impairment on tangible assets

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. An impairment loss is recognised immediately in profits or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policy

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

Fair value of investment properties

As at 31 December 2016, investment properties were carried in the consolidated statement of financial position at aggregate fair value of RMB140,190,000 (2015: RMB136,690,000). The fair value was based on valuations on these properties conducted by independent qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Deferred taxation on investment properties

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

– CONTINUED

Key sources of estimation uncertainty

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

Income taxes

As at 31 December 2016, deferred tax assets of RMB13,813,000 (2015: RMB16,583,000) 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 taxable profits generated are less or more than expected or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimated impairment of trade receivables

In determining the recoverability of trade receivables, the management considers any changes in the creditability of its customers and assesses the recoverable amount of each individual receivables at the end of the reporting period based on objective evidence, such as credit history, including default or delay in payments and settlement records.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss/further impairment loss may arise. As at 31 December 2016, the carrying amount of trade receivables is RMB2,196,259,000, net of allowance for doubtful debts of RMB73,247,000 (31 December 2015: carrying amount of RMB1,900,188,000, net of allowance for doubtful debts of RMB82,828,000).

Fair value measurements and valuation processes

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

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

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

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 borrowings disclosed in note 28 and equity attributable to owners of the Company, comprising share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016	2015
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**6,001,404**	4,624,598
Financial liabilities		
Liabilities at amortised cost	**3,247,072**	1,977,183

6. FINANCIAL INSTRUMENTS – *CONTINUED*

b. Financial risk management objectives and policies

The Group's major financial instruments include fixed bank deposits with more than three months to maturity when placed, bank balances and cash, pledged bank deposits, trade and other receivables, bill receivables, trade and other payables, bill payables, amount due to a related party and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 24.3% (2015: 27.4%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst 1.9% (2015: 2.4%) of costs is denominated in currencies other than the functional currency of the group entity.

Certain trade and other receivables, bill receivables, bank balances, trade and other payables and bill payables of the Group are denominated in United States Dollars ("USD"), Hong Kong Dollars ("HKD"), Euro ("EUR") and Thai Baht ("THB"). The Group currently does not have a foreign currency hedging policy. However, the management of the Group 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 3% (2015: 6%) increase and decrease in RMB against the relevant foreign currencies. 3% (2015: 6%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 3% (2015: 6%) change in foreign currency rates.

At the end of the reporting period, if exchange rates of RMB against USD, HKD, EUR and THB had appreciated by 3% (2015: 6%) and all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately RMB17,524,000 (2015: RMB28,240,000), RMB1,129,000 (2015: RMB1,467,000), RMB2,162,000 (2015: RMB4,799,000) and RMB48,000 (2015: Nil), respectively.

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

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Market risk – Continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see note 28 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management of the Group 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 borrowings (see note 28 for details of these borrowings) and variable-rate 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 Hong Kong Interbank Offered Rate arising from the Group's Hong Kong dollar denominated borrowing.

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to variable interest rates bank borrowings at the end of the reporting period. Variable-rate bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balance is insignificant.

A 50 basis points (2015: 75 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 50 basis points (2015: 75 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease/increase by approximately RMB1,145,000 (2015: decrease/increase by approximately RMB937,000).

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

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk

As at 31 December 2016, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, 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, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that Group's credit risk is significantly reduced.

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 80% (31 December 2015: 82%) of the total trade receivables as at 31 December 2016. The Group does not have other significant concentration of credit risk as the trade and other receivables consist of a large number of debtors.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2016, the Group has available unutilised banking facilities of approximately RMB2,880,042,000 (2015: RMB3,128,826,000).

Liquidity risk tables

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

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

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Liquidity risk – Continued

Liquidity risk tables – *Continued*

At 31 December 2016

	Weighted average interest rate	Less than 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	626,073	159,326	351,661	924,137	2,061,197	2,061,197
Bill payables	–	70,000	–	50,000	140,000	260,000	260,000
Amount due to a related company	–	3,081	–	–	–	3,081	3,081
Borrowings							
– variable rate	3.0	–	–	–	238,079	238,079	228,935
– fixed rate	4.1	–	24,743	–	699,946	724,689	693,859
		699,154	184,069	401,661	2,002,162	3,287,046	3,247,072

At 31 December 2015

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

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

c. Fair value

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values.

7. SEGMENT INFORMATION

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

Revenue from major products

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

	2016	2015
	RMB'000	*RMB'000*
Radial Tire Cords		
– For Trucks	**3,203,617**	2,667,805
– For Passenger Cars	**1,836,381**	1,666,622
Bead Wires and other wires	**429,178**	402,462
	5,469,176	4,736,889

Geographical information

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

	2016	2015
	RMB'000	*RMB'000*
The PRC (country of domicile)	**4,252,267**	3,538,342
India	**252,250**	228,783
United States of America	**214,583**	172,013
Korea	**167,950**	214,483
Germany	**50,022**	84,569
Others	**532,104**	498,699
	5,469,176	4,736,889

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

7. SEGMENT INFORMATION – *CONTINUED*

Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer 1	**N/A***	491,109

* The corresponding revenue from Customer 1 for the year ended 31 December 2016 does not contribute over 10% of the total revenue of the Group.

8. REVENUE

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

9. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Sales of scrap materials	**7,312**	4,900
Interest income earned on bank balances and bank deposits	**17,167**	5,817
Cash discounts received on early settlement of trade payables	**–**	338
Rental income from investment properties, net	**5,935**	6,123
Sundry income	**5,756**	5,275
	36,170	22,453

10. GOVERNMENT GRANTS

Government grants represent incentive subsidies received from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products during the years ended 31 December 2016 and 2015.

For government grants received in the current year where no specific conditions were attached, amounting to approximately RMB20,833,000 (2015: RMB29,977,000) was recognised in the consolidated statement of profit or loss and other comprehensive income when the grants were received.

11. OTHER GAINS AND LOSSES, NET

	2016	2015
	RMB'000	*RMB'000*
Gain from change in fair value of investment properties	**(3,500)**	(6,450)
Loss on disposal of property, plant and equipment	**13,228**	1,581
Gain on disposal of land use right	**–**	(7)
Gain on deemed disposal of a joint venture *(note 36)*	**–**	(6,807)
Research and development expenditure	**61,187**	44,950
Impairment losses recognised on trade and other receivables	**8,126**	71,005
Write-off of trade receivables	**3,695**	2,912
Impairment loss reversed on trade and other receivables	**(17,644)**	(27,454)
Net foreign exchange gain	**(38,807)**	(29,903)
	26,285	49,827

12. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on:		
Bank loans and other borrowings	**21,481**	34,235

13. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax	**112,664**	82,292
Overprovision in prior years	**(12,335)**	(4,748)
Deferred tax *(note 21)*	**(27,430)**	(24,435)
	72,899	53,109

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

13. INCOME TAX EXPENSE – *CONTINUED*

Jiangsu Xingda renewed its High-tech Enterprise Certificate which expired in 2014 with the relevant authorities issued the High-tech Enterprise Certificate on 6 July 2015. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2015, 2016 and 2017. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax of Jiangsu Xingda for the years ended 31 December 2016 and 2015.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

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

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**467,621**	292,831
Tax at the PRC tax rate of 25%	**116,905**	73,207
Tax effect of expenses not deductible for tax purposes	**29,074**	24,841
Tax effect of income not taxable for tax purposes	**(9,144)**	(14,339)
Tax effect of preferential tax rate	**(19,761)**	(15,737)
Tax effect of share of loss of a joint venture	**–**	3
Overprovision in prior years	**(12,335)**	(4,748)
Withholding tax *(Note)*	**(30,930)**	(9,850)
Others	**(910)**	(268)
Income tax expense for the year	**72,899**	53,109

Note: Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards at a tax rate of 10%. In 2016, one of the PRC subsidiaries, Xingda Special Cords has distributed previously proposed dividends of RMB371,274,000 (2015: RMB130,500,000) and proposed additional dividends on 2016's earnings to its immediate holding company, Faith Maple which was not accredited as a PRC tax resident as at 31 December 2016 and up to the date of these consolidated financial statements were authorised for issuance.

As a result, a deferred tax credit of approximately RMB30,930,000 (2015: RMB9,850,000) was provided in these consolidated financial statements. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries other than Xingda Special Cords amounting to RMB2,904,000,000 (2015: RMB2,451,000,000), as the Group is able to control the timing of the reversal of the temporary differences of these PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

14. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration *(see note 15)*		
Salaries, wages and other benefits	**498,025**	468,620
Retirement benefits scheme contributions *(note 34)*	**35,396**	33,559
Share-based payments	**6,596**	6,116
Total staff costs	**540,017**	508,295
Amortisation of prepaid lease payments	**6,965**	6,920
Auditor's remuneration	**2,079**	2,005
Cost of inventories recognised as an expense	**4,273,864**	3,886,725
Depreciation for property, plant and equipment	**515,455**	475,990
Gross rental income from investment properties	**(6,058)**	(6,490)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**123**	367
	(5,935)	(6,123)

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to the 8 (2015: 8) directors were as follows:

	2016 RMB'000	2015 RMB'000
Fees	**1,388**	1,300
Salaries and other allowances	**11,969**	11,941
Performance related incentive bonus *(note)*	**17,951**	18,209
Retirement benefits scheme contributions	**47**	99
Share-based payments	**4,511**	4,107
	35,866	35,656

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 2016

	Fees	Salaries and other allowances	Performance related bonus	Retirement benefits scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
LIU Jinlan	–	4,262	6,392	15	1,746	12,415
LIU Xiang	–	2,899	4,347	15	873	8,134
TAO Jinxiang	–	2,979	4,469	15	873	8,336
ZHANG Yuxiao	–	1,829	2,743	2	873	5,447
Non-executive Director						
WU Xiaohui	347	–	–	–	–	347
Independent Non-executive Directors						
William John SHARP	347	–	–	–	73	420
KOO Fook Sun, Louis	347	–	–	–	73	420
XU Chunhua	347	–	–	–	–	347
	1,388	11,969	17,951	47	4,511	35,866

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

Directors – *Continued*

Year ended 31 December 2015

	Fees	Salaries and other allowances	Performance related bonus	Retirement benefits scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
LIU Jinlan	–	4,262	6,392	31	1,590	12,275
LIU Xiang	–	2,785	4,475	31	795	8,086
TAO Jinxiang	–	2,980	4,470	31	795	8,276
ZHANG Yuxiao	–	1,914	2,872	6	795	5,587
Non-executive Director						
WU Xiaohui	325	–	–	–	–	325
Independent Non-executive Directors						
William John SHARP	325	–	–	–	66	391
KOO Fook Sun, Louis	325	–	–	–	66	391
XU Chunhua	325	–	–	–	–	325
	1,300	11,941	18,209	99	4,107	35,656

Five highest paid employees

The five highest paid employees of the Group during the year included four directors (2015: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining one (2015: one) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,106**	2,106
Bonus	**3,159**	3,159
Retirement benefit scheme contributions	**3**	31
Share-based payments	**659**	635
	5,927	5,931

None of the directors waived any emoluments during both years.

16. DIVIDEND

	2016	2015
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2015 – 10.0 HK cents per share (2015: final dividend paid in respect of the year ended 31 December 2014 – 13.0 HK cents per share)	**124,619**	154,862
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2015: 10.0 HK cents) per share	**197,031**	124,619

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2016 of 15.0 HK cents (2015: 10.0 HK cents) per ordinary share in an aggregate amount of RMB197,031,000 (2015: RMB124,619,000) with scrip alternatives has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividend proposed for the year ended 31 December 2016 and the dividend paid for financial year ended 31 December 2015 will be or were paid out of share premium. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum of Association and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

17. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company		
Earnings for the purpose of basic earnings per share	**277,792**	173,754

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,481,822**	1,502,008

There was no potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *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 2015	1,616,179	3,203	4,248,024	99,986	42,335	505,930	6,515,657
Additions	1,130	–	66,944	10,025	3,379	269,267	350,745
Acquired on acquisition of a subsidiary *(note 36)*	–	–	179	177	199	432,348	432,903
Reclassifications	329,903	–	700,275	6,601	828	(1,037,607)	–
Disposals	–	–	(59,023)	–	–	–	(59,023)
At 31 December 2015	1,947,212	3,203	4,956,399	116,789	46,741	169,938	7,240,282
Additions	2,306	–	29,784	10,638	3,724	305,598	352,050
Reclassifications	174,600	–	147,110	5,130	–	(326,840)	–
Disposals	–	–	(184,017)	(24)	(413)	–	(184,454)
At 31 December 2016	**2,124,118**	**3,203**	**4,949,276**	**132,533**	**50,052**	**148,696**	**7,407,878**
DEPRECIATION							
At 1 January 2015	452,784	642	2,290,290	55,121	37,120	–	2,835,957
Provided for the year	94,327	101	365,199	13,895	2,468	–	475,990
Eliminated on disposals	–	–	(56,069)	–	–	–	(56,069)
At 31 December 2015	547,111	743	2,599,420	69,016	39,588	–	3,255,878
Provided for the year	102,245	101	395,608	15,696	1,805	–	515,455
Eliminated on disposals	–	–	(167,481)	(22)	(392)	–	(167,895)
At 31 December 2016	**649,356**	**844**	**2,827,547**	**84,690**	**41,001**	**–**	**3,603,438**
CARRYING VALUES							
At 31 December 2016	**1,474,762**	**2,359**	**2,121,729**	**47,843**	**9,051**	**148,696**	**3,804,440**
At 31 December 2015	1,400,101	2,460	2,356,979	47,773	7,153	169,938	3,984,404

18. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Construction in progress as at 31 December 2016 and 31 December 2015 represents factories and plant, machinery and equipment constructed for the Group's own use.

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

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

The buildings are situated on land in the PRC.

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

	RMB'000
At 1 January 2015	239,027
Addition for the year	5,001
Addition on acquisition of a subsidiary	52,730
Disposed during the year	(716)
Charge to profit or loss	(6,920)
At 31 December 2015	289,122
Charge to profit or loss	(6,965)
At 31 December 2016	**282,157**

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

	2016	2015
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current assets	**275,192**	282,157
Current assets	**6,965**	6,965
	282,157	289,122
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long lease	**10,867**	11,058
Medium-term lease	**271,290**	278,064
	282,157	289,122

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

20. INVESTMENT PROPERTIES

	Completed investment properties
	RMB'000
FAIR VALUE	
At 1 January 2015	130,240
Net increase in fair value recognised in profit or loss	6,450
At 31 December 2015	136,690
Net increase in fair value recognised in profit or loss	3,500
At 31 December 2016	**140,190**

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

20. INVESTMENT PROPERTIES – *CONTINUED*

In determining the fair value of the relevant properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

The fair values of the Group's investment properties at 31 December 2016 and 2015 have been arrived at on the basis of a valuation carried out on the respective dates by DTZ Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group.

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

The key inputs used in valuing the investment properties were the market yield (2016: 5% and 2015: 5%) and rental. Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 are as follows:

	Level 3
	RMB'000
Office premises located in Shanghai	140,190

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

21. DEFERRED TAXATION

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

	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets	**13,813**	16,583
Deferred tax liabilities	**(9,409)**	(39,609)
	4,404	(23,026)

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

	Excess of accounting depreciation over tax depreciation	Allowance for doubtful debts	Fair value change on investment properties	Fair value change on available-for-sale investment	Fair value adjustment arising from acquisition of subsidiary	Undistributed profits of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	(4,590)	(5,903)	2,735	9,990	–	40,780	43,012
Acquisition of a subsidiary *(note 36)*	–	–	–	–	4,449	–	4,449
Charge (credit) to profit or loss	350	(6,440)	1,613	(9,990)	(118)	(9,850)	(24,435)
At 31 December 2015	(4,240)	(12,343)	4,348	–	4,331	30,930	23,026
Charge (credit) to profit or loss	1,444	1,326	875	–	(145)	(30,930)	(27,430)
At 31 December 2016	**(2,796)**	**(11,017)**	**5,223**	**–**	**4,186**	**–**	**(4,404)**

At the end of the reporting period, the Group has deductible temporary difference of approximately RMB92,971,000 (2015: RMB111,442,000) in relation to the excess of accounting depreciation over tax depreciation and allowance for doubtful debts available for offset against future taxable profits. Deferred tax assets have been recognised in respect of approximately RMB18,640,000 (2015: RMB28,267,000) and RMB73,446,000 (2015: RMB82,290,000) respectively of such deductible temporary difference in relation to the excess of accounting depreciation over tax appreciation and allowance for doubtful debts. At the end of the reporting period, the Group has deductible temporary differences of RMB885,000 (2015: RMB885,000) for which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

22. PREPAYMENTS

The amounts represents (i) prepayment of road maintenance and management fee of RMB4,000,000 (2015: RMB7,000,000) for a period of 1.33 (2015: 2.33) years. An amount of RMB3,000,000 (2015: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as an expenses within twelve months after the reporting date. An amount of remaining RMB1,000,000 (2015: RMB4,000,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date; and (ii) prepayment for land use rights of RMB18,713,000 (2015: Nil). In September 2016, a sales and purchase agreement was entered between the Group and a land and development company, an independent third party, for acquisition of a certain parcels of land located in Thailand at an aggregate consideration of THB320,000,000 (equivalent to approximately RMB63,000,000). A prepayment of THB96,000,000 (equivalent to approximately RMB18,713,000) was paid by the Group during the year while the remaining contractual amount of THB224,000,000 (equivalent to approximately RMB44,287,000) is expected to be fully paid in September 2017 against the transfer of the ownership of the parcels of land. Capital commitment regarding the acquisition is disclosed in note 33.

23. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**379,654**	182,801
Work in progress	**82,202**	63,640
Finished goods	**97,148**	149,369
	559,004	395,810

24. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES

The Group has a policy of allowing an average credit period of 90 to 120 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates.

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

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

	2016	2015
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,781,427**	1,304,091
91 – 120 days	**206,899**	203,963
121 – 180 days	**142,588**	212,972
181 – 360 days	**62,906**	168,758
Over 360 days	**2,439**	10,404
	2,196,259	1,900,188
Advances to raw material suppliers	**26,709**	6,220
Prepayment for spools	**11,217**	10,323
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**12,161**	–
Other receivables and prepayments	**19,885**	22,302
Less: Allowance for doubtful debts on other receivables	**(5,641)**	(5,766)
	64,331	33,079
	2,260,590	1,933,267
Bill receivables *(see Note (a))*		
0 – 90 days	**184,098**	85,245
91 – 180 days	**1,005,801**	677,517
181 – 360 days	**1,042,734**	1,087,726
Over 360 days	**110,682**	123,075
	2,343,315	1,973,563

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

		Equivalent to		Equivalent to
	2016	***RMB***	2015	*RMB*
	'000	***'000***	*'000*	*'000*
USD	**53,453**	**370,617**	55,795	362,027
EUR	**9,474**	**69,226**	10,410	73,592

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

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

	2016	2015
	RMB'000	*RMB'000*
1 January	**82,828**	39,277
Impairment loss recognised on receivables	**8,126**	71,005
Amounts written off as uncollectible	**(63)**	–
Amounts recovered during the year	**(17,644)**	(27,454)
31 December	**73,247**	82,828

The Group reviews all trade receivables overdue more than one year for allowance for doubtful debts, amounting to approximately RMB70,244,000 as at 31 December 2016 (2015: RMB75,427,000) before provision of allowance for doubtful debts of RMB67,805,000 (2015: RMB65,023,000) because historical experience showed that receivables that are past due beyond one year generally have recoverability problems. The Group reviews the recoverability of long aged receivables on a case by case basis. Trade receivables are provided for based on estimated irrecoverable amounts of discounted cash flow, determined by reference to past default experience. Other receivables are provided for based on estimated irrecoverable amount of discounted cash flow.

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB207,933,000 at 31 December 2016 (2015: RMB392,134,000) 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 192 days (2015: 214 days) at 31 December 2016. No other receivables are past due as at the reporting date.

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

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

	2016	2015
	RMB'000	*RMB'000*
121 – 180 days	**142,588**	212,972
181 – 360 days	**62,906**	168,758
Over 360 days	**2,439**	10,404
	207,933	392,134

Out of the balance of RMB207,933,000 (2015: RMB392,134,000) which are past due but not impaired as at 31 December 2016, an amount of approximately RMB140,239,000 (2015: RMB203,684,000) was settled by the trade debtors subsequent to the end of the reporting period and up to the date these consolidated financial statements were authorised for issue.

Note (a): TRANSFERS OF FINANCIAL ASSETS

The followings were the Group's financial assets as at 31 December 2016 and 2015 that were transferred to suppliers by endorsing bill receivables on a full recourse basis. There is no restriction on the use of the bills. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables. The related liabilities are shown under trade payables, other payables and bank borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2016

	Bill receivables endorsed to suppliers with full recourse
	RMB'000
Carrying amount of transferred assets	**1,105,085**
Carrying amount of associated liabilities	
– Trade payables	**1,100,448**
– Payables for purchase of property, plant and equipment	**4,637**
Net position	**–**

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

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

As at 31 December 2015

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

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/FIXED BANK DEPOSITS WITH MORE THAN THREE MONTHS TO MATURITY WHEN PLACED

Bank balances and cash comprise cash held by the Group. The bank balances carry interest rates ranging from 0.01% to 1.80% (2015: 0.01% to 2.80%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure bill payables (2015: banking facilities granted to the Group). Deposits amounting to approximately RMB69,500,000 (2015: RMB17,500,000) had been pledged to a bank to secure bill payables (2015: bank borrowing) of the Group and are therefore classified as current assets.

During the year, the Group placed fixed bank deposits amounting to RMB900,000,000 in banks which are carried fixed interest rate of 3.58%, 3.68%, 3.70% and 3.71% per annum (2015: Nil) with maturity of three years.

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

	2016 ***'000***	**Equivalent to *RMB*** ***'000***	2015 *'000*	Equivalent to *RMB* *'000*
HKD	**44,279**	**39,374**	30,440	25,342
USD	**31,548**	**218,848**	16,971	110,203
EUR	**389**	**2,839**	863	6,123
THB	**359**	**70**	–	–

26. TRADE AND OTHER PAYABLES AND BILL PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**914,592**	726,020
91 – 180 days	**505,626**	197,015
181 – 360 days	**283,275**	256,601
Over 360 days	**77,470**	31,051
	1,780,963	1,210,687
Value-added tax payables and other tax payables	**47,518**	4,472
Accrued staff costs and pension	**215,471**	197,811
Payables for purchase of property, plant and equipment	**280,234**	251,386
Accrued interest expense	**1,528**	5,248
Accrued electricity charges	**9,211**	1,773
Others	**44,571**	47,441
	598,533	508,131
	2,379,496	1,718,818
Bill payables		
91 – 180 days	**260,000**	–

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

The average credit period on purchase of goods is 90 days which may be extended to 120 days or 180 days based on negotiation between the suppliers and the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

27. AMOUNT DUE TO A RELATED COMPANY

The amount represents hotel and catering service fee payable to Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. 興化市興達繡園酒店有限公司 ("Xingda Xiu Yuan"), which is trading in nature. It is unsecured, non-interest bearing and repayable on demand. Relationship of Xingda Xiu Yuan with the Group is set out in note 35.

28. BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Bank loans	**918,894**	514,953
Other loans	**3,900**	–
	922,794	514,953
Secured	**338,894**	34,965
Unsecured	**583,900**	479,988
	922,794	514,953

During the year ended 31 December 2016, the Group borrowed other loans of RMB3,900,000 from a financial institute in Xinghua City, the PRC, an independent third party, in which the other loans are unsecured, carried interest at a fixed monthly rate of 0.417% and are repayable in one year.

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

	2016	2015
	RMB'000	*RMB'000*
Borrowings comprise:		
Fixed-rate borrowings	**693,859**	389,988
Variable-rate borrowings	**228,935**	124,965
	922,794	514,953

The variable-rate bank borrowings which carried interest at 1.5% (2015: 1.2%) above 1-month Hong Kong and Interbank Offered Rate and rates determined by The People's Bank of China.

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

	2016	2015
Effective interest rates:		
Fixed-rate borrowings	**2.65% – 4.35%**	3.92% – 5.60%
Variable-rate borrowings	**1.88% – 3.92%**	1.05% – 4.14%

28. BORROWINGS – *CONTINUED*

During the year, the Group obtained new bank borrowings amounting to approximately RMB995,664,000 (2015: RMB610,615,000). The bank borrowings bear interest at market rates. The proceeds were used as daily working capital.

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

	2016	2015
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year	**610,000**	658,814
Fixed rate		
– expiring within one year	**2,270,042**	2,470,012
	2,880,042	3,128,826

29. GOVERNMENT GRANTS

As at 31 December 2016, the outstanding balance represents an amount of RMB2,000,000 and RMB5,000,000 government grants received in the year ended 2016 and 2015 respectively, of which to be used mainly for a technological advancement project which is expected to be completed in 2017. 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.

As at 31 December 2015, the outstanding amount of RMB15,500,000 represented government grants received to be used mainly for a technology advancement project which was expected to be completed in 2016. Out of the RMB15,500,000, the Group has complied with the conditions attached to the government grants amounting to RMB10,500,000 and this amount was transfer to profit or loss in the current year.

30. SHARE CAPITAL

	Number of shares		Share capital	
	2016	2015	**2016**	2015
	'000	*'000*	***RMB'000***	*RMB'000*
Authorised:				
3 billion ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**301,410**	301,410
Issued and fully paid:				
At beginning of year	**1,487,495**	1,515,287	**148,014**	150,251
Repurchase of shares	**(19,048)**	(27,792)	**(1,649)**	(2,237)
At end of year	**1,468,447**	1,487,495	**146,365**	148,014

During the year ended 31 December 2016, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

	Number of ordinary shares	Price per share Highest	Price per share Lowest	Aggregate consideration paid	Aggregate consideration paid equivalent to
	'000	*HK$*	*HK$*	*HK$'000*	*RMB'000*
June 2016	2,436	1.80	1.62	4,254	3,625
July 2016	4,472	2.12	1.84	9,019	7,733
September 2016	5,117	3.08	2.71	15,208	13,115
October 2016	2,060	3.20	3.08	6,526	5,692
November 2016	3,151	3.20	3.00	9,897	8,633
December 2016	1,812	3.20	3.09	5,739	5,134
	19,048			50,643	43,932

The above shares were cancelled subsequently after their repurchase. Save as disclosed above and apart from the Company's shares purchased under the share-award scheme of the Company as mentioned in note 31 to the consolidated financial statements, neither the Company nor any of the Company's subsidiaries purchased, repurchased, sold or redeemed any of the Company's shares during the year ended 31 December 2016.

31. 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.

7,282,000 (2015: nil) shares have been purchased from the open market pursuant to the Scheme during the year. No (2015: 3,292,000) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:

2016

			Number of awarded shares				
Categories of awardees	**Date of grant** *(Note i)*	**Fair value per share** *HK$* *(Note ii)*	**Balance as at 1 January 2016**	**Vested during the year**	**Granted during the year**	**Balance as at 31 December 2016**	**Vesting period**
Directors of the Group	22 January 2013	3.480	2,066,667	–	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Group	22 January 2013	3.480	2,066,667	–	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Group	22 January 2013	3.480	2,066,666	–	–	2,066,666	22 January 2013 to 31 March 2018
Employees	22 January 2013	2.865	1,266,667	–	–	1,266,667	22 January 2013 to 31 March 2017
Employees	22 January 2013	2.752	1,266,667	–	–	1,266,667	22 January 2013 to 31 March 2017
Employees	22 January 2013	2.646	1,266,666	–	–	1,266,666	22 January 2013 to 31 March 2018
Directors of the Group	25 August 2016	2.150	–	–	2,066,667	2,066,667	25 August 2016 to 31 March 2019
Directors of the Group	25 August 2016	2.150	–	–	2,066,667	2,066,667	25 August 2016 to 31 March 2020
Directors of the Group	25 August 2016	2.150	–	–	2,066,666	2,066,666	25 August 2016 to 31 March 2021
Employees	25 August 2016	1.561	–	–	1,266,667	1,266,667	25 August 2016 to 31 March 2019
Employees	25 August 2016	1.415	–	–	1,266,667	1,266,667	25 August 2016 to 31 March 2020
Employees	25 August 2016	1.303	–	–	1,266,666	1,266,666	25 August 2016 to 31 March 2021
			10,000,000	–	10,000,000	20,000,000	

31. SHARE-AWARD SCHEME – *CONTINUED*

2015

Categories of awardees	Date of grant *(Note i)*	Fair value per share HK$ *(Note ii)*	Number of awarded shares: Balance as at 1 January 2015	Vested during the year	Lapsed during the year	Balance as at 31 December 2015	Vesting period
Directors of the Group	5 September 2011	4.220	1,033,333	(1,033,333)	–	–	5 September 2011 to 31 March 2015
Directors of the Group	22 January 2013	3.480	1,334	(1,334)	–	–	22 January 2013 to 27 March 2015
Directors of the Group	22 January 2013	3.480	1,033,333	(1,033,333)	–	–	22 January 2013 to 31 March 2015
Directors of the Group	22 January 2013	3.480	2,066,667	–	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Group	22 January 2013	3.480	2,066,667	–	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Group	22 January 2013	3.480	2,066,666	–	–	2,066,666	22 January 2013 to 31 March 2018
Employees	5 September 2011	4.220	633,333	(633,333)	–	–	5 September 2011 to 31 March 2015
Employees	22 January 2013	2.931	7,334	(7,334)	–	–	22 January 2013 to 27 March 2015
Employees	22 January 2013	2.727	633,333	(583,333)	(50,000)	–	22 January 2013 to 31 March 2015
Employees	22 January 2013	2.865	1,266,667	–	–	1,266,667	22 January 2013 to 31 March 2017
Employees	22 January 2013	2.752	1,266,667	–	–	1,266,667	22 January 2013 to 31 March 2017
Employees	22 January 2013	2.646	1,266,666	–	–	1,266,666	22 January 2013 to 31 March 2018
			13,342,000	(3,292,000)	(50,000)	10,000,000	

Notes:

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

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

31. SHARE-AWARD SCHEME – *CONTINUED*

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

	2016
Share price at grant date	**HK$2.15**
Expected volatility	**38% – 44%**
Risk-free rate	**0.472% – 0.562%**
Expected dividend yield	**6.01%**

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years which is as same duration as the life of the awarded shares.

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

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

The awarded shares granted in 2016 would be vested in tranches of approximately 3,333,333 shares annually over a period of three years from 2019 to 2021.

The Group recognised the total expenses of approximately RMB6,596,000 for the year ended 31 December 2016 (2015: RMB6,116,000) in relation to shares granted under the Scheme by the Company.

32. OPERATING LEASES

The Group as lessee

	2016	2015
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases for premises during the year	**312**	310

	2016	2015
	RMB'000	*RMB'000*
Within one year	**269**	287
In the second and fifth years inclusive	**523**	800
	792	1,087

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases were negotiated and rentals were fixed for terms from one to three years.

The Group as lessor

Property rental income earned during the year was RMB6,058,000 (2015: RMB6,490,000). The properties are expected to generate rental yields of 4.39% (2015: 4.75%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 31 December 2016, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**15,177**	6,526
In the second to fifth years inclusive	**11,873**	10,949
	27,050	17,475

33. CAPITAL COMMITMENTS

	2016	2015
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**91,969**	82,121
Capital expenditure in respect of the acquisition of land use rights contracted for but not provided in the consolidated financial statements	**44,287**	–
	136,256	82,121

34. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group's full-time employees are covered by a government-sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 20.0% (2015: 20.0%) of the employees' salaries subject to the minimum requirement in the Xinghua Municipality, which are charged to operations as expenses when the contributions are due.

The Group's contribution to the retirement benefit scheme that is charged to profit or loss is approximately RMB35,396,000 (2015: RMB33,559,000) for the year ended 31 December 2016.

35. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	Note	2016 RMB'000	2015 RMB'000
Xingda Xiu Yuan	Provision of hotel and catering services	(a)	**5,723**	4,488

Note:

(a) Xingda Xiu Yuan is a limited company whose legal representative and general manager is a close family member of the Chairman of the Group.

Details of the balances with related parties are set out in the consolidated statement of financial position on page 66 and note 27.

Compensation of key management personnel

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

	2016 RMB'000	2015 RMB'000
Short-term benefits	**44,093**	44,137
Post-employment benefits	**56**	165
Share-based payments	**5,664**	5,289
	49,813	49,591

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.

36. ACQUISITION OF A SUBSIDIARY

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

Shandong Xingda was principally engaged in manufacturing and distribution of radial tire cords and bead wires.

Assets and liabilities recognised at the date of acquisition

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

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

36. ACQUISITION OF A SUBSIDIARY – *CONTINUED*

Non-controlling interests

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

Goodwill arising on acquisition

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

Net cash inflow arising on acquisition

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

Gain on deemed disposal of a joint venture

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

36. ACQUISITION OF A SUBSIDIARY – *CONTINUED*

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2015 was a loss of RMB6,853,000 attributable by Shandong Xingda. Revenue for the year ended 31 December 2015 included RMB201,065,000 attributable by Shandong Xingda.

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

37. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

On 1 February 2016, the Group entered into an equity transfer agreement (the "Agreement") with a shareholder of non-controlling interests (the "Vendor") of Shandong Xingda. According to the Agreements, the Group had the right to acquire all the equity interest held by the Vendor within 180 days, representing 24.5% of the total paid-up share capital of Shandong Xingda, for a total consideration of RMB117,549,000. The Group executed the right of acquiring the shares from the Vendor in June 2016. On 27 April 2016, Shandong Xingda increased its registered capital by USD15,245,000 (equivalent to approximately RMB100,000,000) and then additional capital contributions of RMB51,000,000, RMB24,500,000 and RMB24,500,000 were made by the Group and the shareholders of the non-controlling interests respectively on or before 30 June 2016. On 5 May 2016, the Group paid the capital contribution of RMB51,000,000 into Shandong Xingda. After the Group acquired the 24.5% equity interest held by the Vendor on 12 June 2016, the Group further injected RMB24,500,000 capital contribution into Shandong Xingda on 30 June 2016.The Group owned effective 74.49% of the equity interest of Shandong Xingda upon the completion of the equity transfer transaction and capital injection as at 31 December 2016.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of the Company's principal subsidiaries as at 31 December 2016 and 2015 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
		2016	2015	**2016**	2015	
Directly held by the Company						
Faith Maple	The British Virgin Islands	**USD14,083**	USD14,083	**100%**	100%	Investment holding
Indirectly held by the Company						
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司 *(note a)*	PRC	**RMB1,000,000,000**	RMB134,600,000	**69.54%**	69.54%	Manufacture and distribution of radial tire cords, bead wires and other wires
Shanghai Xingda 上海興達鋼簾線有限公司 *(note b)*	PRC	**RMB2,000,000**	RMB2,000,000	**70.23%**	70.23%	Trading of radial tire cords and bead wires
Xingda International (Shanghai) 興達國際(上海)特種簾線有限公司 *(note c)*	PRC	**USD12,000,000**	USD12,000,000	**100%**	100%	Trading of radial tire cords and bead wires and commercial property investments
Xingda Special Cord 江蘇興達特種金屬複合線有限公司 *(note a)*	PRC	**USD105,000,000**	USD60,000,000	**96.95%**	96.95%	Manufacture of radial tire cords and bead wires
Shandong Xingda 山東興達鋼簾線有限公司 *(note a)*	PRC	**USD90,245,000**	USD75,000,000	**74.49%**	51%	Manufacture and distribution of radial tire cords and bead wires

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

(a) sino-foreign equity joint venture

(b) domestic invested company

(c) wholly foreign owned enterprise

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

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司	PRC	**30.46%**	30.46%	**109,165**	67,953	**1,849,786**	1,770,311
Shandong Xingda 山東興達鋼簾線有限公司	PRC	**25.51%**	49%	**6,312**	(3,358)	**155,528**	237,617
Individually immaterial subsidiaries with non-controlling interests				**1,453**	1,373	**14,961**	31,240
				116,930	65,968	**2,020,275**	2,039,168

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

	Shandong Xingda		Jiangsu Xingda	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**499,522**	325,131	**4,949,091**	4,580,319
Non-current assets	**721,514**	637,508	**4,121,183**	3,442,319
Current liabilities	**(611,362)**	(477,707)	**(2,997,436)**	(2,210,717)
Equity attributable to owners of the Company	**(454,146)**	(247,315)	**(4,223,052)**	(4,041,610)
Non-controlling interests	**(155,528)**	(237,617)	**(1,849,786)**	(1,770,311)

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

(ii) – *Continued*

	Shandong Xingda		Jiangsu Xingda	
	Year ended 2016	Year ended 2015	**Year ended 2016**	Year ended 2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**426,311**	202,518	**5,650,457**	5,160,933
Expenses	**(401,571)**	(209,371)	**5,292,068**	4,937,843
Profit (loss) for the year	**24,740**	(6,853)	**358,389**	223,090
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company	**18,428**	(3,495)	**249,224**	155,137
Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interests	**6,312**	(3,358)	**109,165**	67,953
Profit (loss) and total comprehensive income (expense) for the year	**24,740**	(6,853)	**358,389**	223,090
Net cash (outflow) inflow from operating activities	**(83,267)**	15,383	**839,367**	625,648
Net cash (outflow) inflow from investing activities	**(82,452)**	(182,481)	**(1,130,960)**	24,308
Net cash inflow (outflow) from financing activities	**137,111**	195,173	**161,741**	(663,280)
Net cash (outflow) inflow	**(28,608)**	28,075	**(129,852)**	(13,324)

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:

	2016	2015
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**465,779**	434,788
Amount due from a subsidiary	**705,999**	653,733
	1,171,778	1,088,521
CURRENT ASSETS		
Other receivables	**56**	132
Bank balances and cash	**39,166**	25,918
	39,222	26,050
CURRENT LIABILITIES		
Other payables	**4,603**	3,503
Bank borrowings	**88,936**	34,966
	93,539	38,469
NET CURRENT LIABILITIES	**(54,317)**	(12,419)
NET ASSETS	**1,117,461**	1,076,102
CAPITAL AND RESERVES		
Share capital *(note 30)*	**146,365**	148,014
Reserves	**971,096**	928,088
TOTAL EQUITY	**1,117,461**	1,076,102

39. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *CONTINUED*

Movement in equity

	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Accumulated (losses) profits	Shares held under share-award scheme	Awarded shares compensation reserve	Total
	RMB'000	*RMB'000*	*RMB'000* (*note*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	150,251	783,700	266,960	2,810	(187,979)	(32,428)	20,276	1,003,590
Profit and total comprehensive income for the year	–	–	–	–	263,609	–	–	263,609
Dividend recognised as distribution (*note 16*)	–	(154,862)	–	–	–	–	–	(154,862)
Shares vested under the share-award scheme	–	–	–	–	–	9,494	(9,494)	–
Repurchase of ordinary shares	(2,237)	(40,114)	–	2,237	(2,237)	–	–	(42,351)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	6,116	6,116
At 31 December 2015	148,014	588,724	266,960	5,047	73,393	(22,934)	16,898	1,076,102
Profit and total comprehensive income for the year	–	–	–	–	216,655	–	–	216,655
Dividend recognised as distribution (*note 16*)	–	(124,619)	–	–	–	–	–	(124,619)
Repurchase of ordinary shares	(1,649)	(42,283)	–	1,649	(1,649)	–	–	(43,932)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	6,596	6,596
Purchase of shares for the purpose of share-award scheme	–	–	–	–	–	(13,341)	–	(13,341)
At 31 December 2016	**146,365**	**421,822**	**266,960**	**6,696**	**288,399**	**(36,275)**	**23,494**	**1,117,461**

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

FINANCIAL SUMMARY

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	5,246,909	5,585,206	5,594,925	4,736,889	**5,469,176**
Cost of sales	(4,176,812)	(4,199,809)	(4,321,990)	(3,886,725)	**(4,273,864)**
Gross profit	1,070,097	1,385,397	1,272,935	850,164	**1,195,312**
Other income	76,914	48,417	35,845	22,453	**36,170**
Gain on disposal of available-for-sale investment	–	–	–	131,644	**–**
Government grants	17,945	27,238	35,871	29,977	**31,333**
Distribution and selling expenses	(356,738)	(356,350)	(362,323)	(376,432)	**(443,532)**
Administrative expenses	(223,333)	(269,234)	(272,090)	(280,902)	**(303,896)**
Other gains and losses, net	(85,661)	(47,747)	(86,425)	(49,827)	**(26,285)**
Share of profit (loss) of a joint venture	5,956	2,212	(122)	(11)	**–**
Finance costs	(111,375)	(64,277)	(48,941)	(34,235)	**(21,481)**
Profit before tax	393,805	725,656	574,750	292,831	**467,621**
Income tax expense	(134,429)	(149,755)	(111,891)	(53,109)	**(72,899)**
Profit for the year	259,376	575,901	462,859	239,722	**394,722**
Profit attributable to:					
Owners of the Company	188,786	414,810	327,788	173,754	**277,792**
Non-controlling interests	70,590	161,091	135,071	65,968	**116,930**
	259,376	575,901	462,859	239,722	**394,722**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	9,363,207	9,788,024	10,125,680	9,484,286	**10,872,892**
Total liabilities	(3,052,688)	(3,089,902)	(3,161,000)	(2,321,088)	**(3,624,317)**
	6,310,519	6,698,122	6,964,680	7,163,198	**7,248,575**
Equity attributable to owners of the Company	4,798,984	5,025,496	5,180,740	5,124,030	**5,228,300**
Non-controlling interests	1,511,535	1,672,626	1,783,940	2,039,168	**2,020,275**
	6,310,519	6,698,122	6,964,680	7,163,198	**7,248,575**