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

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)

ANNUAL REPORT 2017

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

REGISTERED OFFICE

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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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch:
Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	2017 *RMB in million*	2016 *RMB in million*	Change
OPERATING RESULTS			
Revenue	**6,886.9**	5,469.2	+25.9%
Gross profit	**1,277.7**	1,195.3	+6.9%
EBITDA [1]	**1,048.8**	1,011.5	+3.7%
Profit for the year	**378.3**	394.7	-4.2%
Profit attributable to owners of the Company	**287.4**	277.8	+3.4%
Earnings per share – basic (RMB fen)	**19.44**	18.75	+3.7%

	2017 *RMB in million*	2016 *RMB in million*	Change
FINANCIAL POSITION			
Total assets	**12,361.8**	10,872.9	+13.7%
Total liabilities	**4,929.0**	3,624.3	+36.0%
Net assets	**7,432.8**	7,248.6	+2.5%
Equity attributable to owners of the Company	**5,367.3**	5,228.3	+2.7%

	2017	2016
KEY RATIOS		
Gross profit margin [2]	**18.6%**	21.9%
EBITDA margin [3]	**15.2%**	18.5%
Return on equity [4]	**5.4%**	5.3%
Current ratio [5]	**1.42**	1.58
Gearing ratio [6]	**7.7%**	8.5%
Net debts to equity ratio [7]	**3.7%**	8.5%

Notes:

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

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

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

(5) Current assets divided by current liabilities.

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") for the year ended 31 December 2017.

In 2017, the global economy continued to advance steadily on the recovery path. With the supply-side reform in China continuing to go deeper and market demand growing at an even pace, the radial tire cord industry stayed on rebound which started in 2016. A leading radial tire cord supplier, Xingda achieved satisfactory annual results, with revenue up by 25.9% year-on-year to RMB6,887 million for the review year. Selling price of radial tire cord products climbed, continuing on the upward trend since 2016. However, with raw material costs starting to rise rapidly in the third quarter of 2017, while gross profit increased by 6.9% to RMB1,278 million, gross profit margin shrank by 3.3 percentage points to 18.6%. Profit attributable to owners of the Company was RMB287 million, representing an increase of 3.4% against 2016. Basic earnings per share were RMB19.44 fen, representing a year-on-year increase of 3.7%.

The Board recommended payment of final dividend of 15.0 HK cents per share or approximately RMB12.1 fen per share for the year ended 31 December 2017 (2016: 15.0 HK cents per share or approximately RMB13.4 fen per share).

In 2017, China entered the second year of its "13th Five-year Plan". Facing changes of the economic model under the new normal and challenges from the complicated and changing international environment, with "maintaining stability" as the guiding theme and development objective, the overall Chinese economy was stable and started trending up. Steady growth of the real estate and infrastructure investment industries has been driving development of the logistics industry, and in turn goods transportation volume on roads and that has spurred radial tire replacement demand for trucks. At the same time, the country's continuous effort to cramp down on overrunning and overloading of trucks on the road stimulated the sales of new trucks as well as the original equipment manufacturer truck tires in China.

As for overseas markets, on the back of the better-than-expected growth trend of the global economy, key economies expanded alongside each other. Xingda grasped the favorable trend to actively implement its globalization strategy. Able to flexibly cater to all the different needs of overseas markets for radial tire cords for trucks and passenger cars, it recorded steady growth in overseas markets during the year, in particular with boosting sales of radial tire cords for trucks.

Between 1 January 2017 and 31 December 2017, the Group repurchased 5,398,000 shares on the Hong Kong Stock Exchange at an average price of approximately HK$2.68 per share or in all approximately HK$14.5 million (after deducting related expenses). Certain Executive Directors of the Company including me also purchased a total of 6,436,000 shares on the Hong Kong Stock Exchange during the year to show our full confidence in the development of the Company in the future.

CHAIRMAN'S STATEMENT

On 12 June 2017, the Group announced the scrip dividend scheme that shareholders may choose in lieu of receipt of final dividend payment for 2016. Shareholders of the Company may opt to receive an allotment of new shares of HK$0.1 each in the share capital of the Company ("Scrip Shares") in lieu of the final dividend of 15.0 HK cents per share ("Share") in cash. The issue price of the Scrip Shares is HK$2.67 per Share. Given the scheme, the Company's controlling shareholders had opted to receive the 2016 final dividend partly in Scrip Shares and partly in cash, and ultimately had been allotted 6,000,000 Scrip Shares, fully reflecting the optimism of the controlling shareholders about Xingda's long-term business prospects.

Looking ahead, the tire industries in China will still be developing on a steady track. Demand-side improvement will encourage notable progress of supply-side reform in the industry, and economic development and the implementation of relevant policies in China are likely to bring long-term positive impact on radial tire demand for the industry. At the same time, the industry will continue to consolidate, resulting in leading players having presiding influence on the industry development trend. And, overseas, with the strategic thinking behind "The Belt and Road Initiative" giving guidance, Chinese tire manufacturers will keep their eye on development opportunities in overseas markets. Emphasis on "quality" will gradually replace that on "pricing", which is going to lay a solid foundation for Chinese tire brands to build their international reputation. As an industry leader, Xingda will insist on delivering products of premium quality, differentiating its products from its peers' and also looking for new business growth drivers. The Group will, in keeping pace with the ever-changing market, draw up the corporate development strategies, and be a frontrunner in the new stage of development of the industry. It will keep improving its business performance, which will allow it to reward long-standing shareholders supportive of its advancement with reasonable dividends.

Last but not least, on behalf of Xingda, my sincere gratitude goes to our shareholders for their strong support, our customers for their long-term trust and all staff for contributing to the development of the Group.

Liu Jinlan
Chairman
Shanghai, China, 23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the China Rubber Industry Association, China's tire output increased by 4% to approximately 636 million units in 2017, of which approximately 594 million were radial tires. The steady rise in radial tire output was mainly the result of the steady development of the Chinese economy and the logistics industry, which spurred the replacement demand of tires and the increase of factory's tire output. In 2017, radialization rate remained stable at 93% (2016: around 93%).

According to the China Association of Automobile Manufacturers, the country in all produced approximately 3,683,000 units of trucks in 2017, an increase of 16.9% year-on-year. The climb was mainly driven by the regulations governing the overrunning and overloading of trucks, which has triggered the replacement phase for trucks in China. As for passenger cars, about 24,807,000 units were made, up by 1.6% year-on-year, a notable decline against the 15.8% growth recorded in 2016, mainly the result of the government lowering new vehicle purchase tax benefit.

BUSINESS REVIEW

During the year under review, such factors including hastened development of new infrastructure projects, the government implementing policies to avoid illegal modification, overrunning and overloading of trucks has stimulated the truck production, provision of purchase tax benefit to low-emission cars, slow growth of tire utilization rate and total road logistics volume, and steady rise in trucks and passenger cars ownership in China, all helped drive demand for radial tires. However, market demand for radial tire cord products fluctuated mildly in mid 2017 as a result of the short term destocking by radial tire plants in the country. Overall, sales volume of radial tire cords of the Group increased by 7.8% to 653,400 tonnes during the year, accounting for 84.5% of the Group's total sales volume (2016: 88.6%). Sales volume of bead wires and other wires increased by 54.1% to 119,800 tonnes, making up 15.5% of the Group's total sales volume (2016: 11.4%).

During the year, the economy of China has been steadily improving, frequent economic activities have been recorded, which spurred the replacement demand for radial tires. Moreover, the sales volume of trucks in China was growing upward, which led to a 9.1% year-on-year increase in the Group's sales volume of radial tire cords for truck to 416,300 tonnes. As for the sales volume of radial tire cords for passenger cars, there was a year-on-year increase of 5.4% to 237,100 tonnes, and by market, recording slow down in Mainland China while a steady growth in overseas. Sales volume of radial tire cords for trucks and passenger cars accounted for 63.7% and 36.3% of the Group's total sales volume of radial tire cord products, respectively (2016: 62.9% and 37.1%).

BUSINESS REVIEW – *CONTINUED*

Sales Volume

	2017	2016	Change
	Tonnes	*Tonnes*	
Radial tire cords	**653,400**	606,300	+7.8%
– For trucks	***416,300***	*381,400*	*+9.1%*
– For passenger cars	***237,100***	*224,900*	*+5.4%*
Bead wires and other wires	**119,800**	77,800	+54.1%
Total	**773,200**	684,100	+13.0%

Demand for radial tires was stable in China during the year. The domestic sales volume of radial tire cords rose by 5.0% to 511,600 tonnes (2016: 487,200 tonnes), representing 78.3% of the Group's total sales volume of the product (2016: 80.4%). The Group also continued to expand its global business building on its brand advantages and stable customer network and was rewarded with sustained healthy growth in its overseas markets. The pan-Asia Pacific region (excluding China), America and European markets remained the Group's key markets. Export sales volume of the Group's radial tire cords increased by 19.1% to 141,800 tonnes (2016: 119,100 tonnes), accounting for 21.7% of the total sales volume of radial tire cords in 2017 (2016: 19.6%).

As at the end of 2017, the Group's total annual radial tire cord production capacity was 725,000 tonnes. The annual production capacities of the Jiangsu factory and Shandong plant were 625,000 tonnes and 100,000 tonnes respectively. The Group expects to see an increase, by a maximum of 100,000 tonnes per annum, in production capacity when its new factory in Thailand commences production. The Group has an annual production capacity of 141,000 tonnes of bead wires and other wires. During the year, the overall utilization rate of our facilities remained at 90% (2016: 90%).

	2017 Production Capacity *(Tonnes)*	**2017 Utilization Rate**	2016 Production Capacity *(Tonnes)*	2016 Utilization Rate
Radial tire cords	**725,000**	**91%**	670,000	92%
Bead wires and other wires	**141,000**	**85%**	105,000	73%
Overall	**866,000**	**90%**	775,000	90%

As at the end of 2017, the Group had offered to customers a wide variety of products including 294 types of radial tire cords, 92 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	**2017**	**Proportion**	2016	Proportion	Change
Radial tire cords	**6,157.0**	**89%**	5,040.0	92%	+22.2%
– For trucks	***3,998.6***	***58%***	*3,203.6*	*58%*	*+24.8%*
– For passenger cars	***2,158.4***	***31%***	*1,836.4*	*34%*	*+17.5%*
Bead wires and other wires	**729.9**	**11%**	429.2	8%	+70.1%
Total	**6,886.9**	**100%**	5,469.2	100%	+25.9%

The Group's total revenue in 2017 increased by 25.9%, or RMB1,417.7 million, to RMB6,886.9 million, mainly due to the persistent robust demand for radial tire cords in China and steady development of overseas markets of the Group. Moreover, it was also attributable to a year-on-year increase in average selling price of the Group's products.

Gross profit and gross profit margin

For the year under review, the Group's gross profit rose by 6.9%, or RMB82.4 million, to RMB1,277.7 million (2016: RMB1,195.3 million). Demand for radial tire cords has been fluctuating in the mid year of 2017 as a result of a brief destocking by tire plants. Furthermore, with a surge in raw material cost in third quarter of 2017 was deferred to pass on to the customers by a quarter and thus impacted on the Group's gross profit margin in the second half of 2017. The gross profit margin was down by 3.3 percentage points to 18.6% (2016: 21.9%).

Other income

Other income increased by RMB61.4 million or 169.7%, from RMB36.2 million in 2016 to RMB97.6 million for the year under review, mainly due to the increase in income from sales of scrap materials and the increase in bank interest income derived from placing fixed bank deposits of RMB1 billion.

Government grants

Government grants for the year decreased by 5.4% from RMB31.3 million in 2016 to RMB29.6 million mainly due to the decrease in recurring subsidies from the local government.

FINANCIAL REVIEW – *CONTINUED*

Distribution and selling expenses

In 2017, distribution and selling expenses increased by RMB32.4 million or 7.3% to RMB475.9 million (2016: RMB443.5 million), which was mainly caused by the higher transportation cost associated with higher sales volume.

Administrative expenses

Administrative expenses for the year increased by RMB15.2 million or 5.0% to RMB319.1 million. Such increase was mainly due to depreciation charges on office premises and increase in salaries and pension provision.

Other gain and losses, net

Other gains and losses, net decreased by RMB66.8 million or 191.3% from net gain of RMB34.9 million in 2016 to net loss of RMB31.9 million in 2017, mainly attributable to the net foreign exchange loss and the decrease in impairment loss reversed on trade and other receivables which was partially offset by the reduction of loss on disposal of property, plant and equipment.

Finance costs

Finance costs increased by RMB16.6 million or 77.3% to RMB38.1 million from RMB21.5 million in 2016. The increase was mainly due to the increase of the average balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB30.3 million to RMB103.2 million with an effective tax rate of 21.4% (2016: 15.6%). An increase on both effective tax rate and income tax expense was mainly due to the decrease in portion of income contributed by a major subsidiary of the Group, Jiangsu Xingda Steel Tyre Cord Co. Ltd., which enjoys a lower income tax rate as compared with other operating subsidiaries of the Group.

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2017 decreased by RMB16.4 million or 4.2% from RMB394.7 million in 2016 to RMB378.3 million. If the deferred tax charges related to provision of withholding tax from non-operating activities and net exchange (gain) loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2017 would be RMB377.9 million, representing a decrease of RMB24.7 million or 6.1% when compared with the previous year.

FINANCIAL REVIEW – *CONTINUED*

Reconciliation of report profit and underlying profit

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**378,284**	394,722
Deferred tax charges related to the provision of withholding tax	**7,015**	2,485
Net exchange (gain) loss arising from non-operating activities	**(7,427)**	5,401
Underlying profit for the year	**377,872**	402,608
Underlying profit for the year attributable to:		
Owners of the Company	**286,951**	285,678
Non-controlling interests	**90,921**	116,930
	377,872	402,608

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

Bank balances and cash including bank deposits of the Group increased by RMB276.8 million from RMB480.2 million as at 31 December 2016 to RMB757.0 million as at 31 December 2017. The increase was mainly due to the cash generated from operating activities of RMB1,012.6 million exceeding the cash used in investment activities of RMB526.4 million and in financing activities of RMB209.4 million.

Borrowings increased by RMB30.2 million or 3.3% to RMB953.0 million as at 31 December 2017 from RMB922.8 million as at 31 December 2016. The bank borrowings carry interest at market rates from 2.82% to 4.35% (2016: 1.88% to 4.35%) and are repayable within one year from 31 December 2017.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – *CONTINUED*

The Group's current assets increased by 22.5% to RMB7,004.8 million as at 31 December 2017 from RMB5,719.5 million as at 31 December 2016 and its current liabilities increased by 36.0% from RMB3,614.9 million as at 31 December 2016 to RMB4,917.5 million as at 31 December 2017. The Group's current ratio, being defined as current assets over current liabilities, decreased from 1.58 times as at 31 December 2016 to 1.42 times as at 31 December 2017. The decrease was mainly caused by an increase in trade and other payables and bill payables. The gearing ratio which is measured by total debts (borrowings) to total assets decreased from 8.5% as at 31 December 2016 to 7.7% as at 31 December 2017 mainly due to an increase in total assets.

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.

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. 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 2017, capital expenditure of the Group for property, plant and equipment amounted to RMB541.8 million (2016: RMB352.1 million).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had made capital commitment of approximately RMB230.0 million (31 December 2016: RMB136.3 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 2017 and 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2017, the Group pledged bank deposits of RMB68.0 million to banks to secure bill payables of the Group (31 December 2016: RMB69.5 million).

SIGNIFICANT INVESTMENTS

The Group had no significant investments for the years ended 31 December 2017 and 31 December 2016.

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.

Saved as disclosed, the Company had no other material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the years ended 31 December 2017 and 31 December 2016.

HUMAN RESOURCES

As at 31 December 2017, the Group had approximately 7,000 (31 December 2016: approximately 6,800) full time employees. Total staff costs including directors' remuneration for the year ended 31 December 2017 was approximately RMB630.5 million (2016: approximately RMB540.0 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of 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 2017, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB9.4 million (2016: RMB9.0 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"). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company were added to the Fourth Batch Shares and were held by the trustee. As at 31 December 2017, the balances of the Third Batch Shares and Fourth Batch Shares were 3,416,000 shares and 7,883,011 shares respectively.

As at 31 December 2017, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. Two-thirds of the Third Batch Shares have been vested with selected employees. The remaining one-third of the Third Batch Shares are expected to be vested with selected employees in 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

In 2017, the Chinese economy was well, meeting the 6.9% GDP growth target set at the beginning of the year and completing the second year of the "13th Five-year Plan" in steady strides. In the future, the "New Normal" will present both opportunities and challenges for a long time to come. The government will push on with the supply-side structural reform, and with that providing guidance, consolidation of the radial tire cord industry will continue, with obsolete capacity to be eliminated and players will have to keep strengthening their ability to adapt to changes in the market and demand.

In addition, the introduction and implementation of national policies will bring significant impacts to the industry. These policies included regulations governing the overrunning and overloading of trucks, tightening of standards of tires for trucks, and waiving of purchase tax on new energy vehicles between 2018 and 2020, which together will start a long-term trend of upgrade or replacement of passenger cars and trucks, which will in turn stimulate demand for radial tire cord products. The country actively pushing forward its "The Belt and Road Initiative" will also encourage its radial tire cord industry to "go out", enhance product quality, improve its supply structure, change its positioning that emphasizes pricing and work hard to build its brand presence and eminence in the international market.

The Group believes that the favorable international and domestic economic environment will prevail in 2018, and this macro-environment will benefit the automobile, radial tire and radial tire cord industries in China, enabling them to move from recovery into the fast-growth stage and ultimately achieve new breakthroughs. Xingda will seize the chance to establish its unique competitive edges, strengthen its core competitiveness and fortify market leadership. It will take its global sales strategy to the depth so as to expand business coverage and its international clientele. Facing the ever-changing political and market environment in China and overseas, the Group will grasp opportunities and not shy away from meeting challenges, for it is determined to be a leader blazing the trail of development for the industry.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 68, 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 is a non-wholly owned subsidiary of the Company. He joined Xingda Steel Tyre Cord Group, the predecessor of 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.*) ("Jiangsu Xingda") since May 1994 and has been a director of Jiangsu Xingda since its establishment in 1998. He is also the sole director of Great Trade Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Liu was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by the State Council in 2005. He was recognized as 中國橡膠工業科學發展帶頭人 (Leader in Technology Development in China Rubber Industry*) by the China Rubber Industry Association in April 2005 and was awarded 科技進步獎一等獎 (the Technology Improvement Award (First Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by 中國石油和化學工業協會 (China Petroleum and Chemical Industry Association*) in December 2003 and 全國五一勞動節獎章 (the National 1 May Labor medal*) by 中華全國總工會 (All China Federation of Trade Unions*) in April 2003. He is a senior engineer. Mr. Liu has more than 22 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 41, 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 22 years of experience in the radial tire cord manufacturing industry. He is the son of Mr. Liu Jinlan, who is an executive Director of the Company.

EXECUTIVE DIRECTORS – *CONTINUED*

Mr. TAO Jinxiang (陶進祥), aged 55, 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 22 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 48, 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 17 years of experience in the radial tire cord manufacturing industry.

NON-EXECUTIVE DIRECTOR

Ms. WU Xiaohui (鄔小蕙), aged 57, 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 32 years of experience in finance and accounting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 61, 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 was the independent non-executive director of Midland Holdings Limited from September 2004 to June 2017. Mr. Koo also serves currently as an independent non-executive director of Good Friend International Holdings Inc., Li Ning Company 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 76, 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 50 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 74, 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 50 years of experience in technology research relating to rubber chemicals.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 42, 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 18 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 2017.

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 2017 are set out in the consolidated statement of profit or loss and comprehensive income on page 69 of the annual report.

A final dividend of 15.0 HK cents per share for the year ended 31 December 2016 was paid to the shareholders of the Company during the year ended 31 December 2017.

The Board has recommended the payment of a final dividend of 15.0 HK cents (approximately RMB12.1 fen) per share for the financial year ended 31 December 2017 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 Friday, 8 June 2018.

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) where necessary, the white wash waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his/her 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 Monday, 25 June 2018. 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, 20 July 2018.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 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 2017.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2017 are set out in the section headed "2017 Environmental, Social and Governance Report" on pages 51 to 63 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 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, 17 May 2018 to Wednesday, 23 May 2018, 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, 23 May 2018, 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 Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 16 May 2018.

The proposed final dividend for the year ended 31 December 2017 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 23 May 2018. The register of members of the Company will be closed from Wednesday, 6 June 2018 to Friday, 8 June 2018, 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 Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 5 June 2018.

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 pages 143 and 144 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 2017 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 2017, the Group has utilised approximately HKD694 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 2017**	**Balance of net proceeds as at 31 December 2017**
	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	17,495	52,505
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	693,853	393,147

USE OF PROCEEDS – *CONTINUED*

The remaining amount of approximately HKD393 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 2017, all the net proceeds were utilised for enhancing the production facilities of a non-wholly owned subsidiary of 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 2017 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 2017 are set out in the consolidated statement of changes in equity on pages 72 and 73 of this annual report and note 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB791.4 million (2016: RMB834.5 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including share premium and contributed surplus, of the Company.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2017 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 2017 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

Mr. Liu Xiang, Ms. Wu Xiaohui and Mr. William John Sharp will retire from office by rotation in accordance with Article 87 of the Articles of Association. Ms. Wu Xiaohui will not offer herself for re-election at the forthcoming annual general meeting of the Company. Mr. Liu Xiang and Mr. William John Sharp, being eligible, will 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 2017, the details of which are set out in note 35 to the consolidated financial statements. None of these related party transactions constitutes connected transaction or continuing connected transaction which is required to be disclosed under the Listing Rules. Save as disclosed herein, no other related party transactions were entered into by the Group during the year ended 31 December 2017.

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 or an entity connected with 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 2017. 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 2017.

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 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies ("Model Code") contained in the Listing Rules, were as follows:

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 31 December 2017 *(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)*	609,403,000	40.850%
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)*	609,403,000	40.850%
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)*	609,403,000	40.850%
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)*	609,403,000	40.850%
Koo Fook Sun, Louis	Beneficial owner	217,000	0.015%
William John Sharp	Beneficial owner	217,000	0.015%
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 21,586,000 shares in his own name as at 31 December 2017. 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 2017, Great Trade Limited held 238,148,000 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 4,500,000 shares in his own name as at 31 December 2017. 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 2017, In-Plus Limited held 136,064,000 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 3,936,000 shares in his own name as at 31 December 2017. 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 2017, Perfect Sino Limited held 112,229,000 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 1,533,000 shares in his own name as at 31 December 2017. 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 2017, Power Aim Limited held 40,725,000 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 2017, i.e.,1,491,793,741. A total number of 5,398,000 shares of the Company were bought back by the Company in November and December 2017 but not yet cancelled as at 31 December 2017.

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

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

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 31 December 2017
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,114.50	0.000074%

Save as disclosed above, as at 31 December 2017, 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 2017 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 2017, 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 ordinary shares	Approximate percentage of issued share capital of the Company as at 31 December 2017 *(note 3)*
Great Trade Limited	Beneficial owner	238,148,000	15.96%
In-Plus Limited	Beneficial owner	136,064,000	9.12%
Perfect Sino Limited	Beneficial owner	112,229,000	7.52%
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)*	609,403,000	40.85%
E-Star Corporation	Beneficial owner *(note 2)*	88,842,400	5.96%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 2)*	88,842,400	5.96%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 2)*	88,842,400	5.96%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation *(note 2)*	88,842,400	5.96%

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 9,957,000 shares in his own name as at 31 December 2017. 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 2017, Wise Creative Limited held 40,725,000 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 2017, E-Star Corporation held 88,842,400 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. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2017, i.e.,1,491,793,741. A total number of 5,398,000 shares of the Company were bought back by the Company in November and December 2017 but not yet cancelled as at 31 December 2017.

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 2017 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 5,398,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB12.1 million for the year ended 31 December 2017,. Such shares have been cancelled up to the date of this annual report. Details of repurchases are as follows:

Month of repurchase	Number of ordinary shares repurchased	Repurchasing price for each share Highest HK$	Lowest HK$	Aggregate consideration paid HK$ Million	Equivalent to RMB Million
November 2017	2,191,000	2.70	2.62	5.9	4.9
December 2017	3,207,000	2.72	2.62	8.6	7.2
Total	5,398,000			14.5	12.1

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 2017.

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 2017 is disclosed in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 34% of the Group's total revenue and the largest customer contributed approximately 8% of the Group's total revenue for the year ended 31 December 2017. The five largest suppliers represented approximately 80% of the Group's total purchases and the largest supplier represented approximately 74% of the Group's total purchases for the year ended 31 December 2017.

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

23 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017, 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, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 24 May 2017 as they had to attend other meetings or were engaged in other businesses and commitments. However, Ms. Wu, Mr. Koo, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the non-executive Directors and independent non-executive Directors was ensured.

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

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 2017, 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 2017:

	AGM	Board	Audit Committee	Remuneration and Management Development Committee	Nomination Committee	Executive Committee	Manufacturing and Operations Committee	Investment and International Development Committee
Executive Directors								
Mr. LIU Jinlan	1/1	4/4	N/A	N/A	1/1	1/1	1/1	1/1
Mr. LIU Xiang	1/1	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Mr. TAO Jinxiang	1/1	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. ZHANG Yuxiao	1/1	4/4	N/A	N/A	N/A	1/1	N/A	1/1
Non-executive Director								
Ms. WU Xiaohui	0/1	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors								
Mr. KOO Fook Sun, Louis	0/1	4/4	3/3	1/1	1/1	N/A	N/A	N/A
Mr. William John SHARP	0/1	4/4	3/3	1/1	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 2017, 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.

Mr. Liu Xiang, Ms. Wu Xiaohui and Mr. William John Sharp will retire form office by rotation in accordance with Article 87 of the Articles of Association. Ms. Wu Xiaohui will not offer herself for re-election at the forthcoming annual general meeting of the Company. Mr. Liu Xiang and Mr. William John Sharp, being eligible, will 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 2017 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 2017, 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 2017 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 2017, 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 2016 and the unaudited financial statements for the six months ended 30 June 2017;
- 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 2017;
- 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 22 March 2018, 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 2017 as well as the management letter issued by the external auditor for the annual audit for the year ended 31 December 2017.

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 one time during the year ended 31 December 2017. 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 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; 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.

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *CONTINUED*

Subsequent to the year ended 31 December 2017, the Remuneration Committee held another meeting on 5 March 2018. 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 ended 31 December 2017;
- 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 2018 with reference to the remuneration package of the Board in 2017 and the Group's estimated financial performance for the year ended 31 December 2018;
- resolved that the total remuneration and compensation of the Directors and senior Management paid for the year ended 31 December 2017 was approved, ratified and recommended to the Board; and
- approving the vesting of share awards to the employees of the Group upon the achievement of financial performance target of the Group in the year 2017.

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	11
RMB1,000,001–RMB2,000,000	2
RMB5,000,001–RMB6,000,000	2
RMB8,000,001–RMB9,000,000	2
RMB12,000,001–RMB13,000,000	1

BOARD COMMITTEES – *CONTINUED*

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.

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 2017, the Nomination Committee reviewed the structure, size and composition of the Board in the meeting held. There was no nomination of Directors to fill Board vacancies in the year ended 31 December 2017.

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 COMMITTEES – *CONTINUED*

Nomination Committee – *CONTINUED*

"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 2017, the Nomination Committee members have reviewed the composition of the Board and the Policy to ensure its effectiveness.

Executive Committee

The Company established the Executive Committee on 30 September 2005. The principal functions and responsibilities of the Executive Committee are to determine, approve and oversee the day-to-day control over the allocation of the resources of the Group. The Executive Committee consists of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2017.

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 2017.

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 2017.

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 2017. 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 2017. 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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS – *CONTINUED*

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 that (if the notice is submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgement of such a written notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

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

Address: 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 2017, 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 2017, 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 64 to 68 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2017, the Group paid approximately RMB1,758,000 and RMB348,000 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 for the year ended 31 December 2017. 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.

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.

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

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.

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.

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

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 2017. 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 2017.

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, the manager of investment department and the Company Secretary 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 2017, 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 24 May 2017, the Chairman of the Board, as well as Chairman of each of the Board Committees, or in their absence, at least one member of the respective Committees (except the Audit Committee and Remuneration Committee) 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.

2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since the advancement into the tire cords industry in 1992, Xingda has become an outstanding and leading manufacturer of radial tire cords in the Mainland China over more than two decades of endeavor and development. With its business extending to the international market, fruitful outcomes have been harvested. By virtue of advanced production technology, strong research and development competences and strict quality supervision of the Group, business of Xingda continues to expand. As being a successful company, we are more duty-bound for fulfilling our social responsibilities and making contribution to environmental protection. Therefore, Xingda continued 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 greatly attaches importance to benefits of the employees, caring for their every need. As such, we formulated comprehensive policies to safeguard their 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. We have formulated comprehensive environmental protection policies for the two production bases, including setting objectives with high standards, closely monitoring emissions of various gases, sewage and solid waste with a series of assessing indicators. In addition, we have also introduced a number of measures in accordance with various emission reduction objectives and formulated clear internal guidelines for promoting the full cooperation among all levels of the Company, so as to achieve all environmental protection goals and maximize the contribution to the environment.

The production of radial tire cords and bead wires undergo a complicated process with certain substances emitted, including carbon dioxide as the main greenhouse gas, of which Jiangsu Xingda and Shandong Xingda emitted 658,330 tonnes and 125,461 tonnes respectively last year.

In addition, other emissions including hydrogen chloride gas, soot, sulphur dioxide and nitrogen oxides are also emitted in the course of production. For Jiangsu Xingda, the emissions of hydrogen chloride gas, soot, sulfur dioxide and nitrogen oxides were 2.6 tonnes, 11.51 tonnes, 64.01 tonnes and 99.75 tonnes respectively. Since the local environmental protection authority has not required Shandong Xingda to conduct on-line monitoring for such exhausts, there was no statistics on relevant data.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Emission reduction – *CONTINUED*

Other than greenhouse gases and waste gases, sewage is also discharged from the production process, which mainly includes COD and ammonia nitrogen. For the solid wastes, the harmful substances are finish sludge and hydrochloric acid waste, while non-harmful substances are packaging wastes and cords wastes. Respective discharge volume of various sewage and solid wastes by Jiangsu Xingda and Shandong Xingda in 2017 are set forth as below:

Waste	**Discharge volume of Jiangsu Xingda**	**Discharge volume of Shandong Xingda**
COD	62.37 tonnes	3.44 tonnes
Ammonia nitrogen	0.89 tonnes	0.04 tonnes
Finish sludge	11,000 tonnes	1,000 tonnes
Hydrochloric acid	10,000 tonnes	Not applicable
Packaging materials	2,818 tonnes	199 tonnes
Cords	2,500 tonnes	430 tonnes

Several emission reduction measures were introduced pertinently in accordance with different situations and needs of the two production bases, so as to reduce emissions to meet environmental standards. These measures have achieved remarkable and encouraging results so far.

In respect of waste gas, Jiangsu Xingda and Shandong Xingda both adopted twin-tower series treatment technology (alkaline liquor spraying treatment tower) to reduce the emission of hydrogen chloride, with remarkable achievements by reducing the density of hydrogen chloride emitted to less than 5 milligrams per cubic meter in both of the two production bases, far below the national standard of 30 milligrams per cubic meter.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Emission reduction – *CONTINUED*

Regarding the sewage, Jiangsu Xingda actively improved treatment technology of lubricant waste for COD, successfully achieved a reduction in the cost of treatment and COD concentration and total volume discharged. Moreover, in order to reduce the ammonia nitrogen emissions, Jiangsu Xingda adopted the reuse of intermediate water for deep processing, significantly reduced the concentration of ammonia nitrogen through the filtration process. At the same time, it improved the biochemical treatment system to promote the ammonia nitrogen degradation efficiency. As a result, the concentration and total volume of ammonia nitrogen discharged have been significantly reduced under our efforts. As for Shandong Xingda, discharge reduction measures were introduced mainly for pickling wastewater, with improvement of production process as the starting point, under which pickling wastewater was no more discharged directly to acid wastewater tank formerly but transferred to hydrochloric acid regeneration system, so that regenerated hydrochloric acid could be reused for production again. This measure succeeded in reducing discharge of hydrochloric acid waste, with cost reduction in purchasing new hydrochloric acid and implementing wastewater treatment.

For solid waste, Jiangsu Xingda newly introduced phosphoric acid regeneration equipment for finish sludge to reduce the discharge of phosphoric acid, hence cutting down the amount of sludge generated. Besides, a new acid waste treatment center was established to comprehensively utilize acid waste and reduce the sludge volume for acid waste treatment. Both measures significantly reduced the volume of sludge produced in the course of production. Jiangsu Xingda also launched an electroplating acid mist recycling project for the treatment of acid mist, with which not only the use of hydrochloric acid was effectively reduced but also the sludge produced significantly decreased. On the other hand, Shandong Xingda built a new oxide skin regeneration equipment system for finish sludge, with which oxide skin was restored for external sale, hence not only volume of sludge generated was reduced but the disposal cost was also lowered, and the outcomes were promising.

In addition, since production base of Jiangsu Xingda had its own power plant for electricity generation, with a 150-tonne/hour high temperature and high pressure pulverized coal boiler and a 25MW generator system, greenhouse gas such as carbon dioxide was emitted in the course of power generation, amounting to 600,610 tonnes last year. To reduce emission of greenhouse gases, we are committed to reducing the use of coal, resulting in a successful reduction of carbon dioxide emission. Also, smoke, sulfur dioxide, nitrogen oxides and other exhaust gases were emitted by the power plant, with volume as 11.51 tonnes, 64.01 tonnes and 99.75 tonnes respectively last year, all meeting environmental discharge standards and control requirements on total volume.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Application of resources

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 inspections by the relevant supervision authorities of the government. The Group never had any violation in this aspect. In addition, the Group has formulated comprehensive internal energy conservation policies covering electricity, water and various precious resources, with gradual implementation of various effective conservation measures as well, under which both the outcomes were encouraging.

First, in terms of production, the main raw materials for radial tire cords and bead wires were wire rod, copper and zinc, with which the volume consumed in the course of production amounted to 717,000 tonnes, 1,807.2 tonnes and 1,204.2 tonnes by Jiangsu Xingda respectively, while 85,900 tonnes, 223 tonnes and 140 tonnes by Shandong Xingda respectively in 2017. Since these raw materials are all essential for production, the consumption depends on the production scale, therefore we placed the emphasis on performance, striving for maximum efficiency in production to ensure that all material input will have maximum output. In terms of plating processes, recycling of resources was realized by circulating electroplating fluid as a supplement.

Besides raw materials for production, various types of resources are directly or indirectly consumed in the course of production, including natural gas, diesel, coal, standard coal, and packaging materials. Respective consumption of electricity, water and other resources above by Jiangsu Xingda and Shandong Xingda in 2017 are set forth as below:

Resources	**Consumption of Jiangsu Xingda**	**Consumption of Shandong Xingda**
Electricity	1,104,092,440 kWh	117,344,237 kWh
Water	66,509,415 tonnes (including 53,481,665 tonnes of recycled water)	269,856 tonnes
Natural gas	32,817,480 cubic meters	3,608,678 cubic meters
Diesel	439,211 litres	36,671 litres
Coal	162,855 tonnes	Not applicable
Standard coal	Not applicable	3,397 tonnes
Packaging materials	2,500 tonnes	206.9 tonnes

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Application of resources – *CONTINUED*

In order to reduce electricity consumption, Jiangsu Xingda switched to energy-efficient motors instead of old motors with high energy consumption, so as to minimize electricity consumption in the course of production. As for Shandong Xingda, transformation of electroplating rectifiers was carried out, coupled with the introduction of power compensation system, not only electricity consumption was successfully reduced, but also the loss of electricity was lowered.

For utilization of water, Jiangsu Xingda recycled the cooling water used in the production, with utilization efficiency improved as well. In respect to wastewater that met the environmental standards, deep treatment was further employed to achieve the reuse of intermediate water. In addition, we also comprehensively improved the efficiency of water utilization in all aspects of production. Shandong Xingda also adopted the concept of recycling, for which filtered clean water and concentrated water from pure water processing were all recycled for flushing and watering plants.

For fuel resources, both of the two production bases adopted waste heat recovery technology, so as to actively reduce the use of natural gas, steam and coal, which not only saved valuable resources, but also reduced emissions from the burning of these resources.

For packaging materials, we are committed to collecting and recycling. For example, all cleaning partitions and refurbished pallets were reclaimed. As such, consumption of packaging materials was reduced, and the cost of packaging was also cut down, which was both environmental protective and efficiency effective.

In addition, the Group believes that the success in energy saving and water saving depends on implementation throughout the Group at all levels, hence we have established a leading group for clean production, which served as the leading unit in saving energy and water. It formulated various corresponding measures and programs and established clean production implementation groups among subsidiaries and departments, responsible for realizing the implementation to gradually achieve the established objectives. This comprehensive structure enabled smoother implementation of all environmental protection policies by a top-down comprehensive application of different measures of the Group in environmental protection, resulting in remarkable results. The Group also regularly reviewed effectiveness of various measures and completed the clean production audit reports, striving for excellence and continuous improvement.

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 continuously and promoting the sustainable development of Company's business. For example, we closely monitored the water quality of each plants and installed on-line pH monitoring and electric gates at each discharge port to ensure that no non-compliance wastewater is leaked. We have also used multiple towers to treat exhaust gas in series, and strictly monitored the emission concentration of various gases to achieve ultra-low emissions. In terms of solid waste, we collected all kinds of waste, with non-hazardous wastes being sold out, and domestic waste being disposed of by the sanitation department. As for hazardous wastes, we already have a set of strict internal guidelines for handing them over to qualified entities to prevent external leakage from posing a threat to the environment.

In order to reduce the impact on the surrounding environment, soundproof and acoustic materials were installed on the walls of each plant, with soundproof curtains at the entrance as well. At the same time, we regularly commissioned a third-party inspection agency to conduct inspections on a quarterly basis to ensure that the sound volume met relevant standards, so as to reduce noise pollution to the environment.

Our efforts in environmental protection were universally recognized, with many awards and affirmations over years. For example, we have won the honor as a green enterprise under environmental protection credit evaluation, as well as obtaining the environmental management system certification.

In general, although we have successfully introduced a number of environmental protection measures for emission reduction and energy conservation over years and all types of indicators are in line with national regulations and industry standards, we will not be pleased with ourselves on the current results. Our endeavor in environmental protection will keep on by regularly formulating projects for the promotion and transformation of the environmental protection facilities, as well as measures for water supply and energy saving, so as to spare no effort in minimizing the impact of the Group's production on the environment.

EMPLOYEE POLICIES

Rights and interests of employees

The Group regards employees as important assets and actively promotes their welfare and protection. In addition to strict compliance with national and local labor-related laws and regulations such as the Labor Law of the People's Republic of China, we also formulated a number of related policies to improve the relevant systems.

We expect employees to receive corresponding returns for their contribution to the Company, hence a number of guidelines on remuneration have been formulated, including the Implementation Rules for Remuneration Committee of the Company, Remuneration Management Measures of the Company and Remuneration Confidentiality Management System, so as to fully guarantee fairness among the employees. Our remuneration system is based on the salary level of the market, rank and position, with endeavor in avoiding different remuneration under equal works. Besides, Management Regulations on Anti-Discrimination, Anti-Harassment, and Anti-Abuse also protect welfare and benefits of the employees, preventing the arising of gender and ethnic discrimination.

We also specifically protect women's rights. For example, we do not arrange female employees to work in areas with high temperature, risk in occupational injury and high strength, etc. Holidays and rests are offered in accordance with regulations on pregnancy, childbirth, breast-feeding period, and menstruation period for the female employees, with timely adjustment of the nature of the work, so that their physical needs will be taken into account.

Sound systems for the resignation, recruitment and promotion of employees have also been established, under which the Employee Resignation Management System guarantees that employees will not be unreasonably fired, while internal guidelines such as the Management System on Employee Recruitment, the Management System on Position Change of Employee, the Employee Career Planning and Management Implementation Measures, the Operation Process for Human Resources Centre ensure that recruitment and promotion are standardized and fair, so that the principle of talent-oriented can be realized, offering equal opportunities to all employees without any bias or cheating.

In addition, we also attach great importance to the orderliness in living and the balance between work and rest for the employees. Therefore, internal guidelines such as the Management System on Employee Transition, the Leave Management System for Employees, Management Measures on Annual Leave set forth clearly working hours and holidays entitled to employees, including national statutory holidays, annual leave, maternity leave, sick leave and so on. In case overtime is needed, the Employee Overtime Management System ensures every effort of the employees will be rewarded accordingly.

The Employee Handbook compiled for our employees sets forth in detail above various policies of the Group so that they can clearly understand their own rights and benefits. Meanwhile, we have paid four aspects of insurance in accordance with national regulations, namely for the pension, medical care (including maternity), work-related injuries, and unemployment. In addition, we also provide the employees with commercial insurance for welfare security to grant them additional protection.

EMPLOYEE POLICIES – *CONTINUED*

Rights and interests of employees – *CONTINUED*

As to reward outstanding employees, we have also formulated policies such as the Incentive Scheme for Exemplary Models in Xingda, the Technology Transformation Reward System for Xingda, the Technology Innovation Award System for Xingda to encourage outstanding talents to continuously contribute to the Group. Moreover, the Group has firmly carried out the share-award scheme as before in the past year, so that outstanding employees have a greater sense of belonging to the Company and are more active in achieving excellent results with the Company. In 2017, the Group attributed the shares to a number of selected employees to reward their contribution in helping the Group to achieve its performance goals and share with them the fruitful outcomes of the Group.

The Labor Union of Xingda also plays an important role in promoting employee welfare. Every year, the Labor Union distributes mooncakes and wine to employees in Mid-Autumn Festival, as well as gift package in Spring Festival, and visits employees' families in need for condolence. In addition, the Labor Union sends free meals to employees each day, and implements a comfortable housing project, under which dormitory for single employee with accommodation of nearly 2,000 people were built, as well as separate apartments for 522 couples. For those employees who purchase their own apartments, subsidies are also in place. The Labor Union also actively promotes different kinds of cultural and recreational activities for the employees, organizes travel for them, and even take into account the needs of unmarried young employees by organizing matching activities for them.

The Group places great emphasis on employees' opinions and encourages equal dialogue between employees at all ranks. Employees can even directly report their opinions to the management. On top of communication through internal website of the Company, employees can express their opinions through email as well. In addition, we regularly conduct opinion surveys to actively collect suggestions from employees. Information bulletin board has also been set up, coupled with the issue of Xingda Newspaper, so that employees will be aware of the latest news of the Group. We also strengthen interaction and communication between the management and the employees from basic level through various channels such as morning meetings, weekly meetings, mobilization meetings, proposal conferences and seminars, speeches, essay contests, sports games and various employee activities, and cater employees' needs, listen to their heartfelt wishes and solve their practical problems with all our strength, so as to promote their satisfaction with the Company.

In 2017, the Group invested RMB20 million in the construction of Xingda's food and beverage center for its employees and provided 24-hour service to take care of their physical and mental health. In addition, we subsidized more than 60 families with difficulty to purchase their housing, of which a total of RMB15 million was spent.

As of 31 December 2017, the Group had a total of 6,959 employees, with ratio of male to female approximately as 2.27 to 1. The average monthly loss rate was approximately 2.37%, mainly from the front-line operators, technical and management positions, accounting for 12.43% of the total number of dismission.

EMPLOYEE POLICIES – *CONTINUED*

Rights and interests of employees – *CONTINUED*

Basic information of employees in terms of position and age is set out in detail as below:

By position

Middle and senior management		Technicians		Grassroots management		Assistants and operating staff	
Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
176	2.53%	181	2.60%	256	3.68%	6,346	91.19%

By age

Under 20		20-35		36-50		Above 50	
Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
28	0.40%	4,011	57.64%	2,756	39.60%	164	2.36%

Occupational safety

The Group attaches great importance to the safety and health of its employees and has formulated a number of related policies to protect their occupational safety, including the Safety Production Responsibility System, Labor Contract Safety Supervision System, Female Workers and Juvenile Protection System, Safety Production Five Simultaneous Management System, Fire Control Management System, Occupational Disease Prevention Management System, Labor Protective Equipment Management System, Safety Protection Equipment and Facilities Management System, Special Equipment Management System and so on. In addition, the Group also strictly abides by relevant national and local laws and regulations, including the Constitution of the People's Republic of China, Work Safety Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Fire Control Law of the People's Republic of China, the Trade Union Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Rights and Interests of Women, the Law of the People's Republic of China on the Protection of Minors, the Law on the Safety of Special Equipment of the People's Republic of China and the Vocational Education Law of the People's Republic of China, etc.

EMPLOYEE POLICIES – *CONTINUED*

Occupational safety – *CONTINUED*

In order to effectively monitor and implement the various occupational safety policies and measures of the Group, we have particularly established a leading group for production safety, which is responsible for ensuring the compliance of each department with the national safety guidelines, laws and regulations, and other regulations concerning safe production. Other than establishing and improving the responsibility system on safety production of each unit, the team also formulates regulations, guidelines, and operating procedures, and is responsible for implementing safety production education and training programs, such as the preparation of activities program like "monthly production in safety". It is also responsible for monitoring the implementation of various safety measures, supervising and inspecting the safety measures of each unit, with timely rectification for any hidden dangers in production safety. The team also takes the duties to approve annual and long-term safety planning. In addition to formulating and implementing emergency response plans for accidents, in the event of material accident, the team is also responsible for conducting in-depth investigations and analysis for improvement, so as to prevent the recurrence of similar accidents.

We have installed equipment like suspended hood and purification towers for our employees in the plants to maintain air circulation and freshness, effectively control the concentration of dust and hazardous substances in the workshops, so that fulfillment of relevant safety standards was ensured. Meanwhile, we post occupational hazards bulletin, safety warning signs, emergency evacuation plans, etc. in the plants, request employees to implement all protective measures and provide them with detailed warnings and escape guidance. We also prepare detailed operational guidelines and safety operating procedures so that our employees are well aware of the potential dangers in their positions and how to avoid accidents. All necessary safety protection equipment, as well as fully equipped emergency kits, emergency lighting, firefighting equipment and other emergency tools, are all available for the employees. Besides, regular body checks are arranged for employees who may be exposed to hazardous substances and strict monitoring is enforced on relevant position to ensure that all safety measures are effective. Moreover, we also implement on-site supervision on employees to make sure that they all wear the relevant safety supplies in an appropriate manner.

The Group fully implements the occupational safety policy of "safety first and prevention the core", under which the most effective prevention strategy is education. Therefore, the Xingda Institute and its subsidiaries regularly provide employees with relevant knowledge through trainings to raise up their safety awareness and allow them to acquire knowledge on safe operation of various processes. Under the comprehensive training system on occupational safety, corporate legal representative, safety production management personnel, special operational personnel and general employees are required to receive relevant trainings and assessments to obtain corresponding certification.

In 2017, all occupational safety measures were properly implemented. There was neither material industrial accident, nor casualties or leave due to work-related injuries.

EMPLOYEE POLICIES – *CONTINUED*

Development, training and evaluation

The Group has formulated Training Procedure Document for employee, together with the relevant policies such as Employee Training Management System of Xingda, and Training Management Manual of Human Resources Centre. Firstly, request of trainings is made by each department and subsidiary in accordance with its development needs, duty requirements and career development planning, while the Xingda Institute is responsible for overall planning and cooperation to formulate tailor-made annual training plans for employees at all levels of the Company, with implementation after approval by the general manager.

Xingda Institute conducts technical, production, safety and management trainings for employees through theoretical teaching, case studies, online teaching and practical operations, etc. After the trainings, Xingda Institute conducts effective evaluation on the trainees jointly with various departments and subsidiaries. It also organizes skills trainings at national-level for various positions, as well as its own appraisal and assessment, with nationally recognized professional qualification issued.

Last year, we organized a number of internal and external trainings, covering a wide range of topics including government policies, safety production management, corporate culture, operation and maintenance of various parts and equipment, different kinds of technical courses, customer service, marketing, quality management, human resources management, analysis and control of factory cost, etc., with participation of employees from all ranks in accordance with their own needs. The training outcomes were significant, not only improved the overall management and technical level of the Group, but also effectively reduced production costs and enhanced employee ownership, as well as promoting the sales.

Last year, the Group provided trainings for approximately 95,500 participants, with total training time amounting to approximately 197,400 hours.

Labor norm

The Group strictly complies with the relevant national laws on labor standards and has formulated the Company Recruitment Policy, which stipulates that all employees must be at least 18 years of age and strict verification of their valid identity documents upon their entry. In case of any doubt on the authenticity of the identity, we will request for other documents such as academic credentials and ask the local public security bureau for verification of his or her identity. Even after the employment, we will check the identity information from time to time to ensure the accurateness.

In regard to forced labor, we conduct investigations at various subsidiaries from time to time and encourage employees to voluntarily report any suspicious forced labor. In addition, the Employee Handbook also has clear guidelines, stipulating that overtime work must be on a voluntary basis and written application with approval from different senior levels was required.

EMPLOYEE POLICIES – *CONTINUED*

Labor norm – *CONTINUED*

If child labor found, we will stop his or her working immediately and sent the child to take a checkup with all the costs bore by the Company. Meanwhile, we will send someone to escort the child back home. 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

We have established the Supplier Management Document, which stipulates the compliance of products, processes and services of suppliers with requirements of national laws and regulations concerning safety, environment, and occupational health. Therefore, suppliers of Group have been strictly reviewed and screened, so that their business does not pose any risk to the environment and society. Moreover, we will issue Environmental Management Questionnaire to suppliers to collect relevant information and require suppliers to sign environmental protection and safety agreements. Pursuant to normal practices for suppliers of the Group, two or more potential suppliers for each type of products and services will be selected if applicable. At present, all our raw material suppliers follow such practice and fill out the Supplier Performance Monitoring Form on a monthly basis. If a risk is discovered, we will mark the supplier as a Backup Supplier, on which closely monitoring will be conducted to ensure the problems have been rectified before restoring its supply. Currently, the Group's suppliers mainly come from Mainland China, accounting for 95%.

Product responsibility

Products of the Group are all in compliance with legal requirements, while its effective management system has also passed the ISO/TS16949 quality system certification. We have also established a documented quality control system in accordance with the latest IATF16949 standard, with formulation of a quality policy on "market demand as the orientation, customer satisfaction as the goal". As such, we have established a strict product liability policy, under which the quality center monitors health safety and labeling standards of our products, while the intellectual property rights management department implements the privacy policy and related supervision. The quality center reviews relevant indicators every year, with updates if necessary. It is also responsible for usual quality review on the products and issuance of the product safety liability certificates, with label inspection before shipment as well.

Any complaints received will be referred to the market service department for communication with the customer, while further referral will be made to departments related to quality, technology, manufacturing, etc., depending on the circumstances. We will spare no effort in verifying and solving the problems, with establishment of quality improvement team for the follow up. Last year, the Group did not need to reclaim any product.

OPERATION CONVENTION – *CONTINUED*

Anti-corruption

Since its establishment, the Group has strictly complied with the relevant national laws and regulations, with no violation to any requirements. Being a giant enterprise, the keynote of anti-corruption lies on prevention of commercial bribery, for which we have made great efforts. For example, we have formulated the regulation of "three prohibits", that is, prohibiting employees from receiving and sending any kind of cash gifts or presents. Employees are neither permitted to obtain personal benefits with their powers, nor to promote the relationship for promotion under opportunities arising during festivals. Besides, Xingda has established an independent audit department to prevent employees from engaging in illegal activities such as bribery, extortion and fraud. The Group not only encourages employees to report any corruption directly to the Audit Committee, but also promote awareness of anti-corruption among employees through the publicity department. These measures are our efforts in normalizing behaviors of all employees, promote noble morality and establish an honest corporate culture.

As of 31 December 2017, 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.

GIVE BACK

Xingda deeply understands that as a member of society, supporting public welfare is definitely a duty and an obligation to be fulfilled, and a good development environment for the enterprise will also be created. Therefore, we actively engage with no hesitation and delay in different types of charitable activities, mainly including poverty alleviation, establishing civilized ecological village, environmental governance, blood donation, and disaster-relief donations.

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. The Foundation is a main channel for Xingda to give back society what it has been benefited, through which great contributions have been made to the society for years and many people in need were benefited. In 2017, Xingda aided more than 50 disadvantaged people in the society and gave them financial support for a total of RMB85,000.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF

XINGDA INTERNATIONAL HOLDINGS LIMITED

(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 69 to 142, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 judgement, 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 2017 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 2017, the carrying amount of the Group's trade receivables net of allowance for doubtful debts was RMB2,421,242,000, out of which RMB192,578,000 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 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; and • Examining the subsequent settlements of trade receivables, on a sample basis, to the source documents. For those individual debtors with little subsequent settlements or/and without any subsequent settlements, 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 judgement 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.

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 Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*8*	**6,886,914**	5,469,176
Cost of sales		**(5,609,213)**	(4,273,864)
Gross profit		**1,277,701**	1,195,312
Other income	*9*	**97,550**	36,170
Government grants	*10*	**29,638**	31,333
Distribution and selling expenses		**(475,918)**	(443,532)
Administrative expenses		**(319,117)**	(303,896)
Other gains and losses, net	*11*	**(31,862)**	34,902
Research and development expenditure		**(58,425)**	(61,187)
Finance costs	*12*	**(38,094)**	(21,481)
Profit before tax		**481,473**	467,621
Income tax expense	*13*	**(103,189)**	(72,899)
Profit and total comprehensive income for the year, net of tax	*14*	**378,284**	394,722
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**287,363**	277,792
Non-controlling interests		**90,921**	116,930
		378,284	394,722
Earnings per share	*17*		
Basic (RMB fen)		**19.44**	18.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,817,310**	3,804,440
Prepaid lease payments	19	**342,575**	275,192
Investment properties	20	**148,540**	140,190
Fixed bank deposits with more than three months to maturity when placed	25	**1,000,000**	900,000
Deferred tax assets	21	**15,628**	13,813
Prepayments	22	**32,963**	19,713
		5,357,016	5,153,348
CURRENT ASSETS			
Prepaid lease payments	19	**7,130**	6,965
Inventories	23	**724,558**	559,004
Trade and other receivables	24	**2,519,355**	2,260,590
Bill receivables	24	**2,928,758**	2,343,315
Pledged bank deposits	25	**68,000**	69,500
Bank balances and cash	25	**756,985**	480,170
		7,004,786	5,719,544
CURRENT LIABILITIES			
Trade and other payables	26	**3,585,184**	2,379,496
Bill payables	26	**340,000**	260,000
Amount due to a related company	27	**3,977**	3,081
Tax liabilities		**28,342**	42,537
Borrowings – due within one year	28	**953,030**	922,794
Government grants	29	**7,000**	7,000
		4,917,533	3,614,908
NET CURRENT ASSETS		**2,087,253**	2,104,636
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,444,269**	7,257,984
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	**11,436**	9,409
NET ASSETS		**7,432,833**	7,248,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	**2017** **RMB'000**	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	*30*	**147,923**	146,365
Share premium and other reserves		**5,219,404**	5,081,935
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,367,327**	5,228,300
NON-CONTROLLING INTERESTS	*38(ii)*	**2,065,506**	2,020,275
TOTAL EQUITY		**7,432,833**	7,248,575

The consolidated financial statements on pages 69 to 142 were approved and authorised for issue by the Board of Directors on 23 March 2018 and are signed on its behalf by:

LIU JINLAN,
DIRECTOR

ZHANG YUXIAO,
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	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)*	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 2016	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 36)*	–	–	–	–	–	–	–	–	–	–	24,500	24,500
Acquisition of non-controlling interests in a subsidiary *(note 36)*	–	–	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
Profit and total comprehensive income for the year	–	–	–	–	–	–	287,363	–	–	287,363	90,921	378,284
Appropriations	–	–	–	–	44,520	–	(44,520)	–	–	–	–	–
Issuance of scrip shares *(note 16)*	2,012	51,696	–	–	–	–	–	–	–	53,708	–	53,708
Dividend recognised as distribution *(note 16)*	–	(197,031)	–	–	–	–	–	–	–	(197,031)	–	(197,031)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	(45,690)	(45,690)
Repurchase of ordinary shares *(note 30)*	(454)	(11,685)	–	–	–	454	(454)	–	–	(12,139)	–	(12,139)
Shares vested under the share-award scheme	–	–	–	–	–	–	2,456	16,203	(18,659)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	7,126	7,126	–	7,126
At 31 December 2017	**147,923**	**264,802**	**285,126**	**(130,150)**	**710,867**	**7,150**	**4,089,720**	**(20,072)**	**11,961**	**5,367,327**	**2,065,506**	**7,432,833**

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 in prior year; (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 in prior year; (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 in 2016.

(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") Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and Jiangsu Xingda Intelligence Manufacturing Co., Ltd ("Xingda Intelligence"), 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 2017

	2017	2016
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**481,473**	467,621
Adjustments for:		
Depreciation and amortisation	**529,245**	522,420
Interest income	**(36,664)**	(17,167)
Gain on fair value changes of investment properties	**(8,350)**	(3,500)
Loss on disposal of property, plant and equipment	**2,699**	13,228
Impairment loss recognised on trade and other receivables	**15,939**	11,821
Impairment loss reversed on trade and other receivables	**(1,193)**	(17,644)
Recognition of equity-settled share-based payments	**7,126**	6,596
Finance costs	**38,094**	21,481
Operating cash flows before movements in working capital	**1,028,369**	1,004,856
Increase in inventories	**(165,554)**	(163,194)
Increase in trade and other receivables	**(239,892)**	(309,339)
Increase in bill receivables	**(585,443)**	(369,752)
(Increase) decrease in prepayments	**(31,963)**	3,000
Increase in trade and other payables	**1,043,372**	633,327
Increase in bill payables	**80,000**	260,000
Decrease in government grants received	**–**	(8,500)
Increase in amount due to a related company	**896**	2,924
Purchase of ordinary shares for the purpose of share-award scheme	**–**	(13,341)
Cash generated from operations	**1,129,785**	1,039,981
Income taxes paid	**(117,172)**	(89,843)
NET CASH FROM OPERATING ACTIVITIES	**1,012,613**	950,138

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(379,082)**	(323,202)
Placement of fixed bank deposits with more than three months to maturity when placed	**(100,000)**	(900,000)
Purchases of land use rights	**(55,855)**	–
Placement of pledged bank deposits	**(68,000)**	(92,000)
Withdrawal of pledged bank deposits	**69,500**	40,000
Prepayment for land use rights	**–**	(18,713)
Proceeds on disposal of property, plant and equipment	**4,005**	3,331
Interest received	**3,045**	5,006
NET CASH USED IN INVESTING ACTIVITIES	**(526,387)**	(1,285,578)
FINANCING ACTIVITIES		
Repayments of bank borrowings	**(693,250)**	(591,723)
Dividends paid	**(143,323)**	(124,619)
Dividends paid to non-controlling interests of a subsidiary	**(45,690)**	(41,000)
Interest paid	**(38,495)**	(22,978)
Payment on repurchase of ordinary shares	**(12,139)**	(43,932)
Repayment of other loans	**(3,900)**	–
New bank borrowings raised	**724,886**	995,664
Other loans raised	**2,500**	3,900
Acquisition of additional non-controlling interests of a subsidiary	**–**	(117,549)
Capital contribution from non-controlling interests of a subsidiary	**–**	24,500
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(209,411)**	82,263
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**276,815**	(253,177)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**480,170**	733,347
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**756,985**	480,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle

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

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

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

Amendments to IAS 7 Disclosure Initiative – *Continued*

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 37. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 37, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contract[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of Annual Improvements to IFRS Standards 2014 – 2016 Cycle[1]
Amendments to IAS 40	Transfer of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[2]

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 2021.

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

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.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 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 ("FVTOCI"). All other financial assets are measured at their fair value at 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;

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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement

- Trade other receivables classified as loan and receivables carried at amortised cost as disclosed in note 24. These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

- Bills receivables classified as trade receivables carried at amortised cost as disclosed in note 24: these are held within a business model whose objective is achieved by collecting contractual cash flows, discounting to commercial banks and endorsing the bills receivables to suppliers, and the contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal outstanding. These bills receivables qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these bills receivables at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of IFRS 9, the fair value gain or loss relating to these bills receivables would be adjusted to investments revaluation reserve as at 1 January 2018.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

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

IFRS 9 Financial Instruments – *Continued*

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would not be significantly different as compared to the accumulated amount recognised under IAS 39.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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 has performed a review of the existing contractual arrangement with its customers and the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED 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. Upon application of 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 by the Group.

Under IAS 17, the Group has already recognised 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 2017, the Group has non-cancellable operating lease commitments of RMB536,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease upon application of IFRS 16, 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.

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

IFRS 16 Leases – *Continued*

In addition, the Group currently consider refundable rental deposits paid of RMB12,000 and refundable rental deposits received of RMB1,048,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Expected as described above, the directors of the Company anticipate that the application of all other new and revised IFRSs issued but not effective in the current year will have no material impact on the consolidated financial statements in the foreseeable future.

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 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*.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Basis of consolidation – *Continued*

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.

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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests proportionate interests. 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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Business combinations

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

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

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Revenue recognition

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

Revenue 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.

Service income is recognised when services are rendered.

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

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Property, plant and equipment – *Continued*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Leasing – *Continued*

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under 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.

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Government grants

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

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets

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

For 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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group 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 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 equity-settled share-based payments determined based on the Group's estimate of equity instruments that will eventually vest, at the grant date without taking into consideration all non-market vesting condition 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 relevant 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 asset individually, 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 (or a cash-generating unit) 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 judgements in applying accounting policy

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company 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 2017, investment properties were carried in the consolidated statement of financial position at aggregate fair value of RMB148,540,000 (2016: RMB140,190,000). 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 of the Company 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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2017, deferred tax assets of RMB15,628,000 (2016: RMB13,813,000) 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 2017, the carrying amount of trade receivables is RMB2,421,242,000, net of allowance for doubtful debts of RMB82,288,000 (31 December 2016: carrying amount of RMB2,196,259,000, net of allowance for doubtful debts of RMB67,805,000).

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

	2017	2016
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**7,220,765**	6,001,404
Financial liabilities		
Liabilities at amortised cost	**4,519,239**	3,247,072

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.

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

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 26.4% (2016: 24.3%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst 1.4% (2016: 1.9%) 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% (2016: 3%) increase and decrease in RMB against the relevant foreign currencies. 3% (2016: 3%) 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% (2016: 3%) 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% (2016: 3%) and all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately RMB24,441,000 (2016: RMB17,524,000), RMB1,182,000 (2016: RMB1,129,000), RMB2,863,000 (2016: RMB2,162,000) and RMB251,000 (2016: RMB48,000), respectively.

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

6. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Market risk – Continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate 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 borrowings.

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to variable interest rates bank borrowings at the end of the reporting period. 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 (2016: 50 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 (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would decrease/increase by approximately RMB419,000 (2016: decrease/increase by approximately RMB1,145,000).

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 2017 and 2016, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

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 78% (31 December 2016: 80%) of the total trade receivables as at 31 December 2017. 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.

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 2017

	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	–	1,080,321	337,590	352,906	1,451,415	3,222,232	3,222,232
Bill payables	–	–	–	–	340,000	340,000	340,000
Amount due to a related company	–	3,977	–	–	–	3,977	3,977
Borrowings							
– variable rate	2.9	–	–	–	83,836	83,836	83,772
– fixed rate	3.8	–	23,109	–	885,172	908,281	869,258
		1,084,298	360,699	352,906	2,760,423	4,558,326	4,519,239

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

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

6. FINANCIAL INSTRUMENTS – *CONTINUED*

c. Fair value

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:

	2017	2016
	RMB'000	*RMB'000*
Radial Tire Cords		
– For trucks	**3,998,660**	3,203,617
– For passenger cars	**2,158,368**	1,836,381
Bead Wires and other wires	**729,886**	429,178
	6,886,914	5,469,176

7. SEGMENT INFORMATION – *CONTINUED*

Geographical information

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

	2017	2016
	RMB'000	*RMB'000*
The PRC (country of domicile)	**5,285,470**	4,252,267
India	**276,096**	252,250
United States of America	**272,851**	214,583
Korea	**172,938**	167,950
Germany	**43,038**	50,022
Others	**836,521**	532,104
	6,886,914	5,469,176

"Others" included revenue from various countries which are individually less than 10% of the Group's total revenue.

No customers contributes over 10% of the total revenue of the Group for the years ended 31 December 2017 and 2016.

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

	2017	2016
	RMB'000	*RMB'000*
Sales of scrap materials	**45,050**	7,312
Interest income earned on bank balances and bank deposits	**36,664**	17,167
Rental income from investment properties, net	**6,042**	5,935
Service income	**2,874**	–
Sundry income	**6,920**	5,756
	97,550	36,170

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. No such government grants were received by the Group for the year ended 31 December 2017.

For government grants received during the current year with no future related cost or without any conditions, amounting to approximately RMB29,638,000 (2016: RMB20,833,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

11. OTHER GAINS AND LOSSES, NET

	2017	2016
	RMB'000	*RMB'000*
Gain from change in fair value of investment properties	**8,350**	3,500
Loss on disposal of property, plant and equipment	**(2,699)**	(13,228)
Impairment losses recognised on trade and other receivables	**(15,939)**	(11,821)
Impairment loss reversed on trade and other receivables	**1,193**	17,644
Net foreign exchange (loss) gain	**(22,767)**	38,807
	(31,862)	34,902

12. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on:		
Bank loans and other borrowings	**34,801**	21,481
Bill receivables discounted	**3,293**	–
	38,094	21,481

13. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax	**102,361**	112,664
Under(over) provision in prior years	**616**	(12,335)
Deferred tax *(note 21)*	**212**	(27,430)
	103,189	72,899

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

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

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.

13. INCOME TAX EXPENSE – *CONTINUED*

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

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	481,473	467,621
Tax at the PRC tax rate of 25%	120,368	116,905
Tax effect of expenses not deductible for tax purposes	23,539	29,074
Tax effect of income not taxable for tax purposes	(8,761)	(9,144)
Tax effect of preferential tax rate	(33,142)	(19,761)
Under(over) provision in prior years	616	(12,335)
Withholding tax *(Note)*	84	(30,930)
Others	485	(910)
Income tax expense for the year	103,189	72,899

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 2017, one of the PRC subsidiaries, Xingda Special Cords has distributed dividends of RMB77,000,000 (2016: RMB371,274,000) to its immediate holding company, Faith Maple which was not accredited as a PRC tax resident as at 31 December 2017 and up to the date of these consolidated financial statements were authorised for issuance.

As a result, a deferred tax charge of approximately RMB84,000 (2016: tax credit RMB30,930,000) 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 RMB3,110,000,000 (2016: RMB2,904,000,000), 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

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration *(note 15)*		
Salaries, wages and other benefits	**581,264**	498,025
Retirement benefits scheme contributions *(note 34)*	**42,157**	35,396
Share-based payments	**7,126**	6,596
Total staff costs	**630,547**	540,017
Less: capitalised in inventories	**(403,143)**	(328,722)
Less: included in research and development expenditure	**(31,636)**	(31,662)
	195,768	179,633
Auditor's remuneration	**2,106**	2,079
Cost of inventories recognised as an expense	**5,609,213**	4,273,864
Depreciation and amortisation		
– Property, plant and equipment	**522,225**	515,455
– Prepaid lease payments	**7,020**	6,965
Total depreciation and amortisation	**529,245**	522,420
Less: capitalised in inventories	**(459,399)**	(462,064)
Less: included in research and development expenditure	**(330)**	(287)
	69,516	60,069
Operating lease payments in respect of premises	**290**	312
Gross rental income from investment properties	**(6,152)**	(6,058)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**110**	123
Rental income from investment properties, net *(note 9)*	**(6,042)**	(5,935)

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to the 8 (2016: 8) directors were as follows:

	2017	2016
	RMB'000	*RMB'000*
Fees	**1,308**	1,388
Salaries and other allowances	**11,981**	11,969
Performance related incentive bonus *(note)*	**17,951**	17,951
Retirement benefits scheme contributions	**54**	47
Share-based payments	**4,973**	4,511
	36,267	35,866

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

Details of emoluments of individual directors, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, are set out as follows:

Year ended 31 December 2017

	Fees	Salaries and other allowances	Performance related inventive 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	17	1,956	12,627
LIU Xiang	–	2,911	4,347	17	978	8,253
TAO Jinxiang	–	2,979	4,469	17	978	8,443
ZHANG Yuxiao	–	1,829	2,743	3	897	5,472
Non-executive Director						
WU Xiaohui	327	–	–	–	–	327
Independent Non-executive Directors						
William John SHARP	327	–	–	–	82	409
KOO Fook Sun, Louis	327	–	–	–	82	409
XU Chunhua	327	–	–	–	–	327
	1,308	11,981	17,951	54	4,973	36,267

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

Year ended 31 December 2016

	Fees	Salaries and other allowances	Performance related incentive 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

The executive directors' emoluments shown above were for their services in connections with the management of the affairs of the Company and the Group.

The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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

Five highest paid employees

The five highest paid employees of the Group during the year included four directors (2016: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining one (2016: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,098**	2,106
Performance related incentive bonus *(note)*	**3,159**	3,159
Retirement benefit scheme contributions	**7**	3
Share-based payments	**663**	659
	5,927	5,927

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

There was no arrangement under which a director waived or agreed to any emoluments during both years.

No emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 2016.

16. DIVIDEND

	2017	2016
	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 2016 – 15.0 HK cents per share (2016: final dividend paid in respect of the year ended 31 December 2015 – 10.0 HK cents per share)	**197,031**	124,619
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2016: 15.0 HK cents) per share	**179,529**	197,031

During the current year, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB197,031,000 with scrip alternatives in respect of the year ended 31 December 2016 was approved at the annual general meeting of the Company held on 24 May 2017.

These scrip alternatives were accepted by certain ordinary shareholders, as follows:

	Year ended 31.12.2016
	RMB'000
Dividends:	
Cash	143,323
Ordinary share alternative	53,708
	197,031

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2017 of 15.0 HK cents (2016: 15.0 HK cents) per ordinary share in an aggregate amount of RMB179,529,000 (2016: RMB197,031,000) 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 2017 and the dividend paid for financial year ended 31 December 2016 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:

	2017	2016
	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	**287,363**	277,792

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,478,551**	1,481,822

No diluted earnings per share for 2017 and 2016 were presented as there were no potential ordinary shares outstanding in issue for both 2017 and 2016.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2016	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
Additions	12,453	–	58,368	21,249	1,432	448,297	541,799
Reclassifications	138,700	–	200,157	26	4,322	(343,205)	–
Disposals	–	–	(72,029)	(1,217)	(840)	–	(74,086)
At 31 December 2017	**2,275,271**	**3,203**	**5,135,772**	**152,591**	**54,966**	**253,788**	**7,875,591**
DEPRECIATION							
At 1 January 2016	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
Provided for the year	106,446	101	397,462	15,549	2,667	–	522,225
Eliminated on disposals	–	–	(65,681)	(1,157)	(544)	–	(67,382)
At 31 December 2017	**755,802**	**945**	**3,159,328**	**99,082**	**43,124**	**–**	**4,058,281**
CARRYING VALUES							
At 31 December 2017	**1,519,469**	**2,258**	**1,976,444**	**53,509**	**11,842**	**253,788**	**3,817,310**
At 31 December 2016	1,474,762	2,359	2,121,729	47,843	9,051	148,696	3,804,440

18. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Construction in progress as at 31 December 2017 and 31 December 2016 mainly 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.

The Group's buildings with carrying value of RMB504,343,000 as at 31 December 2017 (2016: RMB464,173,000), are still in the process of application of title certificates.

19. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

	RMB'000
At 1 January 2016	289,122
Charge to profit or loss	(6,965)
At 31 December 2016	282,157
Additions *(Note c)*	74,568
Charge to profit or loss	(7,020)
At 31 December 2017	**349,705**

19. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS – *CONTINUED*

	2017	2016
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current assets	**342,575**	275,192
Current assets	**7,130**	6,965
	349,705	282,157

	2017	2016
	RMB'000	*RMB'000*
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long lease – The PRC *(Note a)*	**10,867**	10,867
Freehold – Thailand *(Note b)*	**66,295**	–
	77,162	10,867
Medium-term lease – The PRC *(Note a)*	**272,543**	271,290
	349,705	282,157

Notes:

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

b. Prepaid lease payments in Thailand has infinite useful life as stated in the land use rights certificate.

c. During the year ended 31 December 2017, Shandong Xingda and Xingda Steel Cord (Thailand) Company Limited acquired the land use rights in Shandong Province, the PRC and Thailand at a consideration of approximately RMB8,273,000 and THB331,662,000 (equivalent to approximately RMB66,295,000), respectively. The Group will establish new facilities on these lands, which are to be used for manufacturing of radial tire cords, bead wires and other wires.

20. INVESTMENT PROPERTIES

	Completed investment properties
	RMB'000
FAIR VALUE	
At 1 January 2016	136,690
Net increase in fair value recognised in profit or loss	3,500
At 31 December 2016	140,190
Net increase in fair value recognised in profit or loss	8,350
At 31 December 2017	**148,540**

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.

In determining the fair value of the relevant properties, it is the Group's policy to engage third party qualified external valuers 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 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by Cushman & Wakefiled Limited (previously known as "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.

20. INVESTMENT PROPERTIES – *CONTINUED*

The key inputs used in valuing the investment properties were the market yield (2017: 5% and 2016: 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 2017 and 2016 are as follows:

	Level 3	
	2017	2016
	RMB'000	*RMB'000*
Office premises located in Shanghai	**148,540**	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:

	2017	2016
	RMB'000	*RMB'000*
Deferred tax assets	**15,628**	13,813
Deferred tax liabilities	**(11,436)**	(9,409)
	4,192	4,404

21. DEFERRED TAXATION – *CONTINUED*

The following are the major deferred tax liabilities (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 adjustment arising from acquisition of subsidiary	Undistributed profits of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	(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)
Charge (credit) to profit or loss	358	(2,172)	2,087	(145)	84	212
At 31 December 2017	**(2,438)**	**(13,189)**	**7,310**	**4,041**	**84**	**(4,192)**

At the end of the reporting period, the Group has deductible temporary difference of approximately RMB105,070,000 (2016: RMB92,971,000) 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 RMB16,256,000 (2016: RMB18,640,000) and RMB87,929,000 (2016: RMB73,446,000) 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 (2016: 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 RMB35,963,000 (2016: RMB4,000,000) for a period of 11.99 (2016: 1.33) years. An amount of RMB3,000,000 (2016: 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 the remaining RMB32,963,000 (2016: RMB1,000,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date; and (ii) prepayment of nil (2016: RMB18,713,000) for land use rights in Thailand. 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 THB331,662,000 (equivalent to approximately RMB66,295,000). A prepayment of THB96,000,000 (equivalent to approximately RMB18,713,000) was paid by the Group in 2016 and the remaining contractual amount of THB235,662,000 (equivalent to approximately RMB47,582,000) was fully paid in December 2017 against the transfer of the ownership of the parcels of land. This long-term lease land was therefore recognised as prepaid lease payments in note 19 as at 31 December 2017.

23. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**451,684**	379,654
Work in progress	**90,010**	82,202
Finished goods	**182,864**	97,148
	724,558	559,004

24. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES

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

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

	2017	2016
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,987,063**	1,781,427
91 – 120 days	**241,601**	206,899
121 – 180 days	**141,125**	142,588
181 – 360 days	**49,297**	62,906
Over 360 days	**84,444**	70,244
	2,503,530	2,264,064
Less: Allowance for doubtful debts	**(82,288)**	(67,805)
	2,421,242	2,196,259
Advances to raw material suppliers	**8,567**	26,709
Prepayment for spools	**15,130**	11,217
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**45,780**	12,161
Other receivables and prepayments	**34,277**	19,885
Less: Allowance for doubtful debts on other receivables	**(5,641)**	(5,641)
	98,113	64,331
	2,519,355	2,260,590
Bill receivables *(see Note (a))*		
0 – 90 days	**199,392**	184,098
91 – 180 days	**1,077,549**	1,005,801
181 – 360 days	**1,468,549**	1,042,734
Over 360 days	**183,268**	110,682
	2,928,758	2,343,315

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

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

	2017	**Equivalent to RMB**	2016	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
USD	**70,097**	**458,553**	53,453	370,617
EUR	**10,220**	**79,822**	9,474	69,226

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 receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
1 January	**67,805**	77,262
Impairment loss recognised on receivables	**15,939**	11,821
Amounts written off as uncollectible	**(263)**	(4,138)
Amounts recovered during the year	**(1,193)**	(17,140)
31 December	**82,288**	67,805

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

	2017	2016
	RMB'000	*RMB'000*
1 January	**5,641**	5,765
Impairment loss recognised on receivables	**–**	380
Amounts recovered during the year	**–**	(504)
31 December	**5,641**	5,641

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

The Group reviews all trade receivables overdue more than one year for allowance for doubtful debts, amounting to approximately RMB84,444,000 as at 31 December 2017 (2016: RMB70,244,000) before provision of allowance for doubtful debts of RMB82,288,000 (2016: RMB67,805,000) 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 RMB192,578,000 at 31 December 2017 (2016: RMB207,933,000) 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 186 days (2016: 192 days) at 31 December 2017. No other receivables are past due as at the reporting date.

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

	2017	2016
	RMB'000	*RMB'000*
121-180 days	**141,125**	142,588
181-360 days	**49,297**	62,906
Over 360 days	**2,156**	2,439
	192,578	207,933

Out of the balance of RMB192,578,000 (2016: RMB207,933,000) which are past due but not impaired as at 31 December 2017, an amount of approximately RMB142,428,000 (2016: RMB140,239,000) 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.

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

Note (a): TRANSFERS OF FINANCIAL ASSETS

The followings were the Group's financial assets as at 31 December 2017 and 2016 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 2017

	Bill receivables endorsed to suppliers with full recourse ***RMB'000***
Carrying amount of transferred assets	**1,873,739**
Carrying amount of associated liabilities	
– Trade payables	**1,867,827**
– Payables for purchase of property, plant and equipment	**5,912**
Net 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	–

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 1.30% (2016: 0.01% to 1.80%) per annum.

Pledged bank deposits amounted to RMB68,000,000 (2016: RMB69,500,000) represent deposits pledged to banks to secure bill payables and are therefore classified as current assets.

During the year, the Group placed fixed bank deposits amounting to RMB1,000,000,000 (2016: RMB900,000,000) in banks which are carried fixed interest rate of 3.58%, 3.68%, 3.69% and 3.71% per annum (2016: 3.58%, 3.68%, 3.69% and 3.71% per annum) with maturity of two to three years (2016: 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:

	2017	**Equivalent to RMB**	2016	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
HKD	**49,204**	**41,218**	44,279	39,374
USD	**71,630**	**468,043**	31,548	218,848
EUR	**2,758**	**21,523**	389	2,839
THB	**1,566**	**313**	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.

	2017	2016
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**1,327,866**	914,592
91 – 180 days	**1,039,377**	505,626
181 – 360 days	**331,298**	283,275
Over 360 days	**80,740**	77,470
	2,779,281	1,780,963
Value-added tax payables and other tax payables	**60,425**	47,518
Accrued staff costs and pension	**210,197**	215,471
Payables for purchase of property, plant and equipment	**442,951**	280,234
Accrued interest expense	**1,127**	1,528
Accrued electricity charges	**30,350**	9,211
Others	**60,853**	44,571
	805,903	598,533
	3,585,184	2,379,496
Bill payables		
91 – 180 days	**–**	260,000
181 – 360 days	**340,000**	–
	340,000	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

	2017	2016
	RMB'000	*RMB'000*
Bank loans	**950,530**	918,894
Other loans	**2,500**	3,900
	953,030	922,794
Secured	**400,530**	338,894
Unsecured	**552,500**	583,900
	953,030	922,794

Note: These borrowings were secured by the corporate guarantee from the Company in both years.

Borrowings that are denominated in currencies other than the functional currency of the relevant Group entities are as follows:

	2017	2016
	RMB'000	*RMB'000*
HKD	**83,772**	88,936

During the year ended 31 December 2017, the Group borrowed new other loan of RMB2,500,000 (2016: RMB3,900,000) from a financial institute in Xinghua City, the PRC, an independent third party, in which these loans are unsecured, carried interest at a fixed monthly rate of 0.417% (2016: 0.417%) and are repayable in one year. The proceeds were used as working capital. The Group fully repaid the other loans amounting to RMB3,900,000 (2016: Nil) during the year ended 31 December 2017.

28. BORROWINGS – *CONTINUED*

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

	2017	2016
	RMB'000	*RMB'000*
Borrowings comprise:		
Fixed-rate borrowings	**869,258**	693,859
Variable-rate borrowings	**83,772**	228,935
	953,030	922,794

The variable-rate bank borrowings which carried interest at 2.2% (2016: 1.5%) 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:

	2017	2016
Effective interest rates:		
Fixed-rate borrowings	**2.92% – 4.35%**	2.65% – 4.35%
Variable-rate borrowings	**2.82% – 3.92%**	1.88% – 3.92%

During the year, the Group obtained new bank borrowings amounting to approximately RMB724,886,000 (2016: RMB995,664,000). The bank borrowings bear interest at market rates. The proceeds were used as daily working capital.

28. BORROWINGS – *CONTINUED*

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

	2017	2016
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year	**783,772**	610,000
Fixed rate		
– expiring within one year	**2,243,242**	2,270,042
	3,027,014	2,880,042

29. GOVERNMENT GRANTS

As at 31 December 2017 and 2016, the amounts represent the government grants received in prior years of which to be used mainly for a technological advancement project which is expected to be completed in 2018. 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.

30. SHARE CAPITAL

	Number of shares		**Share capital**	
	2017	2016	**2017**	2016
	'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	**1,468,447**	1,487,495	**146,365**	148,014
Issuance of scrip shares *(note)*	**23,347**	–	**2,012**	–
Repurchase of shares	**(5,398)**	(19,048)	**(454)**	(1,649)
At end of year	**1,486,396**	1,468,447	**147,923**	146,365

Note: During the year ended 31 December 2017, the Company issued and allotted 23,347,048 new ordinary shares of HK$0.1 each as scrip alternatives for the final dividend for the year ended 31 December 2016. Details are set out in note 16.

30. SHARE CAPITAL – *CONTINUED*

During the year ended 31 December 2017, the Company repurchased its own shares through the Stock Exchange 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*
November 2017	2,191	2.70	2.62	5,864	4,959
December 2017	3,207	2.72	2.62	8,588	7,180
	5,398			14,452	12,139

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 years ended 31 December 2017 and 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.

31. SHARE-AWARD SCHEME – *CONTINUED*

No shares (2016: 7,282,000 shares) have been purchased from the open market pursuant to the Scheme during the year. 6,666,668 (2016: nil) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:

2017

			Number of awarded shares				
Categories of awardees	Date of grant *(Note i)*	Fair value per share HK$ *(Note ii)*	Balance as at 1 January 2017	Vested during the year	Granted during the year	Balance as at 31 December 2017	Vesting period
Directors of the Company	22 January 2013	3.480	2,066,667	(2,066,667)	–	–	22 January 2013 to 31 March 2017
Directors of the Company	22 January 2013	3.480	2,066,667	(2,066,667)	–	–	22 January 2013 to 31 March 2017
Directors of the Company	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 Company	25 August 2016	2.150	2,066,667	–	–	2,066,667	25 August 2016 to 31 March 2019
Directors of the Company	25 August 2016	2.150	2,066,667	–	–	2,066,667	25 August 2016 to 31 March 2020
Directors of the Company	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
			20,000,000	(6,666,668)	–	13,333,332	

31. SHARE-AWARD SCHEME – *CONTINUED*

2016

Categories of awardees	Date of grant *(Note i)*	Fair value per share HK$ *(Note ii)*	Number of awarded shares: 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 Company	22 January 2013	3.480	2,066,667	–	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Company	22 January 2013	3.480	2,066,667	–	–	2,066,667	22 January 2013 to 31 March 2017
Directors of the Company	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 Company	25 August 2016	2.150	–	–	2,066,667	2,066,667	25 August 2016 to 31 March 2019
Directors of the Company	25 August 2016	2.150	–	–	2,066,667	2,066,667	25 August 2016 to 31 March 2020
Directors of the Company	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*

Notes:

i. The date of grant refers to the date on which the selected directors and 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.

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 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 the remaining awarded shares would be vested in tranches of approximately 6,666,668 and 3,333,333 shares for the year ended 31 December 2017 and 2018, respectively.

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 RMB7,126,000 for the year ended 31 December 2017 (2016: RMB6,596,000) in relation to shares granted under the Scheme by the Company.

32. OPERATING LEASES

The Group as lessee

	2017	2016
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases for premises during the year	**290**	312

	2017	2016
	RMB'000	*RMB'000*
Within one year	**269**	269
In the second and fifth years inclusive	**267**	523
	536	792

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 RMB6,152,000 (2016: RMB6,058,000). The properties are expected to generate rental yields of 4.12% (2016: 4.39%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 31 December 2017, the Group had contracted with tenants for the following future minimum lease payments:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**4,189**	15,177
In the second to fifth years inclusive	**9,511**	11,873
	13,700	27,050

33. CAPITAL COMMITMENTS

	2017	2016
	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	**230,035**	91,969
Capital expenditure in respect of the acquisition of land use rights contracted for but not provided in the consolidated financial statements	**–**	44,287
	230,035	136,256

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% (2016: 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 RMB42,157,000 (2016: RMB35,396,000) for the year ended 31 December 2017.

35. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	*Note*	2017	2016
			RMB'000	*RMB'000*
Xingda Xiu Yuan	Services fee for hotel and catering services	*(a)*	**5,896**	5,723

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 a related party are set out in the consolidated statement of financial position on page 70 and note 27.

Compensation of key management personnel

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

	2017	2016
	RMB'000	*RMB'000*
Short-term benefits	**42,824**	44,093
Post-employment benefits	**67**	56
Share-based payments	**5,995**	5,664
	48,886	49,813

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 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 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, the vendor, 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.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans	**Other loans**	**Accrued interest expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2017	918,894	3,900	1,528	924,322
Financing cash flows	31,636	(1,400)	(38,495)	(8,259)
Interest expense	–	–	38,094	38,094
As at 31 December 2017	**950,530**	**2,500**	**1,127**	**954,157**

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of the Company's principal subsidiaries as at 31 December 2017 and 2016 are disclosed as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid up share capital/ registered capital 2017	2016	Attributable to equity interest held by the Group 2017	2016	Principal activities
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	**RMB1,500,000,000**	RMB1,000,000,000	**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**	USD105,000,000	**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**	USD90,245,000	**74.49%**	74.49%	Manufacture and distribution of radial tire cords and bead wires
Xingda Steel Cord (Thailand) Company Limited	Thailand	**THB2,000,000**	THB2,000,000	**100%**	100%	Not yet commence business

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	
		2017	2016	**2017**	2016	**2017**	2016
				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%	**76,088**	109,165	**1,882,529**	1,849,786
Shandong Xingda 山東興達鋼簾線有限公司	PRC	**25.51%**	25.51%	**12,446**	6,312	**167,974**	155,528
Individually immaterial subsidiaries with non-controlling interests				**2,387**	1,453	**15,003**	14,961
				90,921	116,930	**2,065,506**	2,020,275

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.

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

(ii) – *Continued*

	Shandong Xingda		Jiangsu Xingda	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**727,928**	499,522	**6,122,313**	4,949,091
Non-current assets	**763,523**	721,514	**4,248,238**	4,121,183
Current liabilities	**(832,989)**	(611,362)	**(4,190,218)**	(2,997,436)
Equity attributable to owners of the Company	**(490,488)**	(454,146)	**(4,297,804)**	(4,223,052)
Non-controlling interests	**(167,974)**	(155,528)	**(1,882,529)**	(1,849,786)

	Shandong Xingda		Jiangsu Xingda	
	Year ended 2017	Year ended 2016	**Year ended 2017**	Year ended 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**723,446**	426,311	**7,034,063**	5,650,457
Expenses	**(674,659)**	(401,571)	**(6,784,268)**	(5,292,068)
Profit for the year	**48,787**	24,740	**249,795**	358,389
Profit and total comprehensive income attributable to owners of the Company	**36,341**	18,428	**173,707**	249,224
Profit and total comprehensive income attributable to the non-controlling interests	**12,446**	6,312	**76,088**	109,165
Profit and total comprehensive income for the year	**48,787**	24,740	**249,795**	358,389
Net cash inflow (outflow) from operating activities	**45,831**	(83,267)	**774,976**	839,367
Net cash outflow from investing activities	**(85,979)**	(82,452)	**(343,408)**	(1,130,960)
Net cash inflow (outflow) from financing activities	**50,684**	137,111	**(192,273)**	161,741
Net cash inflow (outflow)	**10,536**	(28,608)	**239,295**	(129,852)

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:

	2017	2016
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**495,051**	465,779
Amount due from a subsidiary	**664,788**	705,999
	1,159,839	1,171,778
CURRENT ASSETS		
Other receivables	**127**	56
Bank balances and cash	**41,019**	39,166
	41,146	39,222
CURRENT LIABILITIES		
Other payables	**4,401**	4,603
Bank borrowings	**83,772**	88,936
	88,173	93,539
NET CURRENT LIABILITIES	**(47,027)**	(54,317)
NET ASSETS	**1,112,812**	1,117,461
CAPITAL AND RESERVES		
Share capital *(note 30)*	**147,923**	146,365
Reserves	**964,889**	971,096
TOTAL EQUITY	**1,112,812**	1,117,461

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

Movement in share capital and equity

	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Accumulated 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 2016	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
Profit and total comprehensive income for the year	–	–	–	–	143,687	–	–	143,687
Issuance of scrip shares	2,012	51,696	–	–	–	–	–	53,708
Dividend recognised as distribution *(note 16)*	–	(197,031)	–	–	–	–	–	(197,031)
Repurchase of ordinary shares	(454)	(11,685)	–	454	(454)	–	–	(12,139)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	7,126	7,126
Shares vested under the share-award scheme	–	–	–	–	2,456	16,203	(18,659)	–
At 31 December 2017	**147,923**	**264,802**	**266,960**	**7,150**	**434,088**	**(20,072)**	**11,961**	**1,112,812**

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

FINANCIAL SUMMARY

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	5,585,206	5,594,925	4,736,889	5,469,176	**6,886,914**
Cost of sales	(4,199,809)	(4,321,990)	(3,886,725)	(4,273,864)	**(5,609,213)**
Gross profit	1,385,397	1,272,935	850,164	1,195,312	**1,277,701**
Other income	48,417	35,845	22,453	36,170	**97,550**
Gain on disposal of available-for-sale investment	–	–	131,644	–	**–**
Government grants	27,238	35,871	29,977	31,333	**29,638**
Distribution and selling expenses	(356,350)	(362,323)	(376,432)	(443,532)	**(475,918)**
Administrative expenses	(269,234)	(272,090)	(280,902)	(303,896)	**(319,117)**
Other gains and losses, net	(8,518)	(29,347)	(4,877)	34,902	**(31,862)**
Research and development expenditure	(39,229)	(57,078)	(44,950)	(61,187)	**(58,425)**
Share of profit (loss) of a joint venture	2,212	(122)	(11)	–	**–**
Finance costs	(64,277)	(48,941)	(34,235)	(21,481)	**(38,094)**
Profit before tax	725,656	574,750	292,831	467,621	**481,473**
Income tax expense	(149,755)	(111,891)	(53,109)	(72,899)	**(103,189)**
Profit for the year	575,901	462,859	239,722	394,722	**378,284**
Profit attributable to:					
Owners of the Company	414,810	327,788	173,754	277,792	**287,363**
Non-controlling interests	161,091	135,071	65,968	116,930	**90,921**
	575,901	462,859	239,722	394,722	**378,284**

FINANCIAL SUMMARY

	As at 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	9,788,024	10,125,680	9,484,286	10,872,892	**12,361,802**
Total liabilities	(3,089,902)	(3,161,000)	(2,321,088)	(3,624,317)	**(4,928,969)**
	6,698,122	6,964,680	7,163,198	7,248,575	**7,432,833**
Equity attributable to owners of the Company	5,025,496	5,180,740	5,124,030	5,228,300	**5,367,327**
Non-controlling interests	1,672,626	1,783,940	2,039,168	2,020,275	**2,065,506**
	6,698,122	6,964,680	7,163,198	7,248,575	**7,432,833**