ANNUAL REPORT
2018






XINGDA
兴　达

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR RELATIONS

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

	2018	2017	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**7,558.4**	6,886.9	+9.7%
Gross profit	**1,322.5**	1,277.7	+3.5%
EBITDA (1)	**1,057.2**	1,048.8	+0.8%
Profit for the year	**371.9**	378.3	-1.7%
Profit attributable to owners of the Company	**263.7**	287.4	-8.2%
Earnings per share – basic and diluted (RMB fen)	**17.8**	19.4	-8.2%

	2018	2017	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**12,788.6**	12,361.8	+3.5%
Total liabilities	**5,240.1**	4,929.0	+6.3%
Net assets	**7,548.5**	7,432.8	+1.6%
Equity attributable to owners of the Company	**5,451.2**	5,367.3	+1.6%

	2018	2017
KEY RATIOS		
Gross profit margin (2)	**17.5%**	18.6%
EBITDA margin (3)	**14.0%**	15.2%
Return on equity (4)	**4.8%**	5.4%
Current ratio (5)	**1.48**	1.42
Gearing ratio (6)	**10.1%**	7.7%
Net debts to equity ratio (7)	**3.5%**	3.7%

Notes:

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

(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 and other borrowings) divided by total assets.

(7) Total debts (bank and other 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 2018.

In the past year, affected by factors such as tightening global financial conditions and the intensifying Sino-US trade conflict, the global economy started on a positive note and then generally encountered strengthening headwinds. Yet the radial tire cord industry in China remained stable amidst a challenging macroeconomic environment. As a leading radial tire cord supplier based in China and aiming to expand its business overseas, Xingda has capitalized on its leading industry presence and recorded results better than the industrial average.

During the year under review, both the sales volume and selling prices of the Group's radial tire cord products have gradually picked up, with revenue rising by 9.7% year-on-year to RMB7,558 million. The gross profit was driven up by 3.5% year-on-year to RMB1,322 million. At the same time, raw materials prices remained in peak averagely throughout 2018, therefore the gross profit margin down 1.1 percent points to 17.5%. The profit attributable to owners of the Company reached RMB264 million, 8.2% lower than the previous year. Basic and diluted earnings per share dropped by 8.2% to RMB17.8 fen.

The economic growth of China remained stable with growth slightly slowed down in the year. Among the three economic drivers of consumption, export and investment, the first two started to trend down, which in turn suppressed the production and sales of passenger cars and the demand for related tires. As for trucks, a series of policies have been launched by the government during the year to stabilize investment, and further shore up weak links such as infrastructure. As a result, the transportation volume on roads has gradually increased, which stimulated the demand for trucks and replacement of truck tires, and in turn the sales volume of radial tire cord for trucks. Meanwhile, capitalizing on the strong bargaining power by virtue of its industry leadership, the Group increased product prices twice within the year, and revenue further improved as a result.

The Group is forging a strategic global layout to further optimize the Group's industrial chain and disperse risks. Towards that end, the Group was pleased to establish Xingda Europe S.A.R.L, a non-wholly owned subsidiary, in Luxembourg, which is set to strengthen the Group's strategic cooperation with tire and other companies in the European region. Besides, the Group has continued to accelerate its internationalization strategy, focusing on optimizing its product structure in overseas markets. Thus, the proportion of radial tire cords for trucks, which are of higher margins, has risen during the year. The Group has also formulated a development strategy for entering new geographic areas with solid potential, so as to penetrate European and other emerging markets.

Between 1 January 2018 and 31 December 2018, the Group repurchased 13,694,000 shares on the Hong Kong Stock Exchange at an average price of approximately HK$2.4 per share or in all approximately HK$32.8 million (after deducting related expenses). Certain Executive Directors of the Company, myself included, have also purchased a total of 4,911,000 shares on the Hong Kong Stock Exchange during the year to demonstrate our full confidence in the development of the Company in the future.

CHAIRMAN'S STATEMENT

On 8 June 2018, the Group announced the scrip dividend scheme. 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") for 2017 in cash. The issue price of the Scrip Shares is HK$2.37 per Share. Under the scheme, the Company's controlling shareholders had opted to receive the 2017 final dividend partly in Scrip Shares and partly in cash, and ultimately had been allotted 8,000,000 Scrip Shares, fully reflecting the confidence of the controlling shareholders in Xingda's long-term business prospects.

Looking into 2019, the Group expects that both global and China markets will still face different challenges. China's government is expected to launch policies related to consumption, investment, finance and money aimed at supporting steady growth in the macroeconomy, and these measures are expected to benefit the long-term stable development of the radial tire cord industry. As the 13th Five-year Plan encourages transformation and upgrade across industries, Xingda, as an industry leader, is well-positioned to further expand its market share as the weaker companies are eliminated through industry consolidation. As for overseas markets, the Group will seize opportunities to extend its reach by speeding up the expansion of its overseas production and client bases and market, as well as to reinforce Xingda's reputation and leading presence on an international scale.

The foundation of our success rests on the continued solid support of shareholders, the long-term trust of customers and the strong contributions of our staff. On behalf of Xingda, I would like to express our heartfelt gratitude to all of these groups. In the coming year, the Group will remain pragmatic as we steadily develop, strengthen our competitive edge and further consolidate our leading market presence with the objective of generating sustainable returns for shareholders and setting up an epitome of a successful enterprise.

Liu Jinlan
Chairman
Shanghai, China, 28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the China Rubber Industry Association, China's tire output decreased slightly by 0.76%[1] to approximately 648 million units in 2018, of which approximately 609 million were radial tires, a slight 0.65% drop year-on-year, indicative of the overall stable performance of the industry. Affected by the year-on-year decline of passenger car output in China, output of radial tires for passenger cars also dropped to approximately 476 million units or by 1.24% year-on-year. Meanwhile, steady development of the Chinese economy and the transportation and logistics industry however, has braced demand for replacement tires for trucks. Radial tires output for trucks was approximately 133 million units or a slightly 1.53% up year-on-year. In 2018, radialization rate slightly increased to 94% (2017: around 93%)

According to the China Association of Automobile Manufacturers, approximately 3,790,700 units of trucks were produced nationwide in 2018, an increase of 2.9% year-on-year. The climb was mainly driven by the "Work Plan for Regulating Car Carrier Trailers" implemented by the Chinese government to regulate the overrunning and overloading of trucks, subsequently triggering a replacement phase for trucks in China and stimulated the market demand for new trucks. As for passenger cars, about 23,529,000 units were produced, slightly down by 5.2% year-on-year, mainly as a result of the government lowering tax benefits for purchasing new small vehicles.

BUSINESS REVIEW

In 2018, as the economic growth of China slowed down, the Chinese government implemented a series of favorable policies to support investment and credit growth. This policy direction coupled with the steady growth in total road logistics volume drove the market demand for replacement of radial tires. During the year under review, the Group's sales volume of radial tire cords rose by 2.0% to 666,600 tonnes, accounting for 83.3% of the Group's total sales volume (2017: 84.5%). Sales volume of bead wires and other wires increased by 11.9% to 134,100 tonnes, making up 16.7% of the Group's total sales volume (2017: 15.5%).

During the year under review, the steady rise of the road passenger and freight traffic volume plus the government's strengthened efforts to regulate, supervise and implement policies to prohibit illegal modification, overrunning and overloading of trucks have stimulated truck production, thereby spuring a climb of 5.7% year-on-year in the sales volume of the Group's radial tire cords for trucks to 440,100 tonnes. Sales volume of radial tire cords for passenger cars declined by 4.4% year-on-year to 226,500 tonnes. It was mainly attributable to the slight drop in demand and output of radial tires for passenger cars in China. The Group's sales of radial tire cords for passenger cars in the domestic market were also under pressure. Sales volume of radial tire cords for trucks and passenger cars accounted for 66.0% and 34.0% of the Group's total sales volume of radial tire cords respectively (2017: 63.7% and 36.3%).

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[1] The decline was calculated based on the tire output data of China in 2018 published by the China Rubber Industry Association on 15 March 2019 in comparison with the verified tire output data of China in 2017

BUSINESS REVIEW – *CONTINUED*

Sales Volume

	2018	2017	Change
	Tonnes	*Tonnes*	
Radial tire cords	**666,600**	653,400	+2.0%
– *For trucks*	***440,100***	*416,300*	*+5.7%*
– *For passenger cars*	***226,500***	*237,100*	*-4.4%*
Bead wires and other wires	**134,100**	119,800	+11.9%
Total	**800,700**	773,200	+3.6%

During the year under review, the overall demand for radial tires in China remained stable. The Group's sales volume of radial tire cords in China market dropped slightly by 2.6% to 498,100 tonnes (2017: 511,600 tonnes), accounting for 74.7% of the Group's total sales volume of radial tire cords (2017: 78.3%). Meanwhile, the Group has continued to push forward its international business strategy. It has endeavored to optimize its product mix and to seek business advances in all of its markets. The Pan-Asia Pacific (excluding China), America and Europe continued to be the Group's principal overseas markets. Overseas sales volume of radial tire cords increased by 18.8% to 168,500 tonnes (2017: 141,800 tonnes), accounting for 25.3% of the Group's total sales volume of radial tire cords in 2018 (2017: 21.7%).

As of 31 December 2018, the annual production capacity of radial tire cords of the Jiangsu factory and the Shandong factory are 625,000 tonnes and 103,000 tonnes respectively. Given the strong demand of Southeast Asian and Indian markets for its products, the Group has strategically decided to build a new factory in Thailand. Production capacity of radial tire cords of such new Thailand factory in the first phase is expected to be 50,000 tonnes. As of 31 December 2018, the annual production capacity of bead wires and other wires of the Group is 155,000 tonnes. During the year under review, the Group's overall capacity utilization rate has been maintained at 90% (2017: 90%).

	2018 Production Capacity *(Tonnes)*	**2018 Utilization Rate**	2017 Production Capacity *(Tonnes)*	2017 Utilization Rate
Radial tire cords	**728,000**	**91%**	725,000	91%
Bead wires and other wires	**155,000**	**87%**	141,000	85%
Overall	**883,000**	**90%**	866,000	90%

As of the end of 2018, the Group provided a wide range of products including 331 types of radial tire cords, 112 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	**2018**	**Proportion**	2017	Proportion	Change
Radial tire cords	**6,670.2**	**88%**	6,157.0	89%	+8.3%
– *For trucks*	***4,488.1***	***59%***	*3,998.6*	*58%*	*+12.2%*
– *For passenger cars*	***2,182.1***	***29%***	*2,158.4*	*31%*	*+1.1%*
Bead wires and other wires	**888.2**	**12%**	729.9	11%	+21.7%
Total	**7,558.4**	**100%**	6,886.9	100%	+9.7%

The Group's total revenue in 2018 rose by 9.7%, or RMB671.5 million, to RMB7,558.4 million, mainly due to two upward adjustments to the prices of its radial tire cord during the year under review and the moderate growth in the sales volume of the products.

Gross profit and gross profit margin

During the year under review, the Group's gross profit rose by 3.5%, or RMB44.8 million, year-on-year to RMB1,322.5 million (2017: RMB1,277.7 million), mainly driven by the increment of sales volume and prices of radial tire cord products. The average steel rod prices were maintained at the high level during the year under review, therefore the gross profit margin shrank by 1.1 percentage points to 17.5% (2017: 18.6%).

Other income

Other income increased by RMB39.1 million or 40.1%, from RMB97.6 million in 2017 to RMB136.7 million for the year under review, mainly due to the waiver of trade payable of RMB24.8 million and the increase in income from sales of scrap materials and bank interest income derived from placing fixed bank deposits and bank balances.

Government grants

Government grants for the year decreased by RMB15.8 million or 53.4% from RMB29.6 million in 2017 to RMB13.8 million mainly due to the decrease in recurring subsidies from the local government.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – *CONTINUED*

Distribution and selling expenses

In 2018, distribution and selling expenses increased by RMB36.7 million or 7.7% to RMB512.6 million (2017: RMB475.9 million), which was mainly caused by the higher transportation, custom and storage costs associated with higher export sales volume.

Administrative expenses

Administrative expenses for the year increased by RMB42.8 million or 13.4% to RMB361.9 million. Such increase was mainly due to an increase in salaries and pension provision and depreciation charges on office premises.

Other gain and losses, net

Other gains and losses, net increased by RMB36.5 million or 213.5% from net loss of RMB17.1 million in 2017 to net gain of RMB19.4 million in 2018, mainly attributable to the net foreign exchange gain which was partially offset by the increase in loss on disposal of property, plant and equipment.

Finance costs

Finance costs increased by RMB6.9 million or 18.1% to RMB45.0 million from RMB38.1 million in 2017. The increase was mainly due to the increase in interest on bill receivables and rise of weighted average interest rate of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB7.6 million or 7.3% to RMB110.7 million with an effective tax rate of 22.9% (2017: 21.4%). The increase in income tax expense was mainly caused by the increase in withholding tax on dividend distributed by the Group's PRC subsidiaries.

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2018 decreased by RMB6.4 million or 1.7% from RMB378.3 million in 2017 to RMB371.9 million. If the loss on change in fair value of financial assets through profit or loss, deferred tax charges related to provision of withholding tax from non-operating activities and net exchange loss (gain) arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2018 would be RMB385.5 million, representing an increase of RMB7.6 million or 2.0% when compared with the previous year.

FINANCIAL REVIEW – *CONTINUED*

Reconciliation of report profit and underlying profit

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**371,855**	378,284
Loss on change in fair value of financial assets through profit or loss	**2,533**	–
Deferred tax charges related to the provision of withholding tax	**5,982**	7,015
Net exchange loss (gain) arising from non-operating activities	**5,099**	(7,427)
Underlying profit for the year	**385,469**	377,872
Underlying profit for the year attributable to:		
Owners of the Company	**277,277**	286,951
Non-controlling interests	**108,192**	90,921
	385,469	377,872

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 purchase of financial assets at fair value through profits or loss.

Bank balances and cash including bank deposits of the Group increased by RMB347.4 million from RMB757.0 million as at 31 December 2017 to RMB1,104.4 million as at 31 December 2018. The increase was mainly due to the cash generated from operating activities of RMB854.7 million, financing activities of RMB68.1 million and effect of foreign exchange rate changes of RMB14.6 million exceeding the cash used in investing activities of RMB590.0 million.

Borrowings increased by RMB341.4 million or 35.8% to RMB1,294.4 million as at 31 December 2018 from RMB953.0 million as at 31 December 2017. The bank borrowings carry interest at market rates from 2.92% to 4.79% (2017: 2.82% to 4.35%). Borrowings of RMB1,144.4 million are repayable within one year from 31 December 2018 and remaining borrowings balance of RMB150.0 million is repayable after one year from 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – *CONTINUED*

The Group's current assets increased by 7.1% to RMB7,498.6 million as at 31 December 2018 from RMB7,004.8 million as at 31 December 2017 and its current liabilities increased by 3.3% from RMB4,917.5 million as at 31 December 2017 to RMB5,077.8 million as at 31 December 2018. The Group's current ratio, being defined as current assets over current liabilities, increased from 1.42 times as at 31 December 2017 to 1.48 times as at 31 December 2018. The increase was mainly caused by an increase in bank balances and cash together with a decrease in trade, bill and other payables. The gearing ratio which is measured by total debts (borrowings) to total assets increased from 7.7% as at 31 December 2017 to 10.1% as at 31 December 2018 mainly due to an increase in borrowings.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and Euros. Part of the sales proceeds in US dollars and Euros have been used to purchase imported raw materials in the same currencies, while the exchange rate fluctuation of renminbi did not have a significant adverse effect on the operating results of the Group in 2018.

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 2018, capital expenditure of the Group for property, plant and equipment amounted to RMB592.1 million (2017: RMB541.8 million).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had made capital commitment of approximately RMB400.9 million (31 December 2017: RMB230.0 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 2017 and 2018.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018 and 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged bank deposits of RMB52.0 million to banks to secure bill payables of the Group (31 December 2017: RMB68.0 million).

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan (Cayman) Holding Limited ("Prinx Chengshan", stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, of approximately HK$71.4 million was satisfied by the internal resources of the Group. Save as disclosed above, the Group had no other significant investments for the year ended 31 December 2018 and 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the years ended 31 December 2018 and 31 December 2017.

HUMAN RESOURCES

As at 31 December 2018, the Group had approximately 6,800 full time employees (31 December 2017: approximately 7,000). Total staff costs including directors' remuneration for the year ended 31 December 2018 was approximately RMB726.0 million (2017: approximately RMB630.5 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 Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda and Shandong Xingda contributes 2% of the total salary of its staff ("Union Fee") to support the 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 2018, the amount of Union Fees contributed by Jiangsu Xingda and Shandong Xingda to the Xingda Labour Union amounted to RMB11.1 million (2017: RMB9.4 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. In 2018, 506,266 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 2018, the balance of the Third Batch Shares and the Fourth Batch Shares were 116,000 shares and 8,389,277 shares respectively.

As at 31 December 2018, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. The balance of Third Batch Shares and all 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

Looking ahead, facing the complex international economic and trade environment, improving quality and efficiency is expected to continue to be the key fundamental priorities for the Chinese economy. In achieving that goal, it is expected that China will make further structural adjustments to its industries, so as to support a healthy development trend such as continued steady economic progress, and consumption upgrade while improving investment. Meanwhile, the flourishing e-commerce and logistics industries in China are expected to drive the stable growth of road transportation in the country, which will be conducive to the future development of the radial tire cord industry.

However, as challenges are expected for the Chinese and global economy in the foreseeable future, small to medium enterprises with obsolete capacity and insufficient capital will face greater financing difficulty. With such enterprises with obsolete capacity being ousted, the radial tire cord industry is expected to see further consolidation. Armed with abundant capital and boasting industry leadership, Xingda will be able to seize opportunities timely in the industry which will be going through consolidation and adjustment.

As for overseas markets, the Group will continue to monitor the macroeconomic trends and accelerate its globalization strategy of building factories overseas in a bid to diversify the market risks. At the same time, it will fuel the expansion of its business and customer base in emerging markets and adopt a proactive but prudent approach in response to the current fluctuating global political and economic situation.

As for the year ahead, dramatic shifts in the external environment present opportunities and challenges. Xingda will continue to grasp development opportunities through its insight of the market. It will also continue to improve its technological level, enhance quality of its products and flexibly implement sales strategy, with the aim of reinforcing its leading position in the market and continuously creating sustainable returns to all shareholders.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 69, 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 23 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 42, 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 23 years of experience in the radial tire cord manufacturing industry. He is the son of Mr. Liu Jinlan, who is an executive Director of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS – *CONTINUED*

Mr. TAO Jinxiang (陶進祥), aged 56, 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 23 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 49, 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 18 years of experience in the radial tire cord manufacturing industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 62, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS – *CONTINUED*

Mr. William John SHARP, aged 77, 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 will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent director in another public listed company.Mr. Sharp graduated with a bachelor's degree of science, majoring in industrial engineering, from The Ohio State University in 1963 and has more than 51 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 75, 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 51 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 43, 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 19 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 (where the context permits and where relevant, including Ms. Wu Xiaohui who has retired on 23 May 2018) ("Directors") present their annual report and the audited financial statements of the Group for the year ended 31 December 2018.

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 2018 are set out in the consolidated statement of profit or loss and comprehensive income on page 75 of the annual report.

A final dividend of 15.0 HK cents per share for the year ended 31 December 2017 was paid to the shareholders of the Company during the year ended 31 December 2018.

The Board has recommended the payment of a final dividend of 15.0 HK cents (approximately RMB13 fen) per share for the financial year ended 31 December 2018 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 Thursday, 6 June 2019.

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 Friday, 21 June 2019. It is expected that the final dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Thursday, 18 July 2019.

DIRECTORS' REPORT

DIVIDEND POLICY

On 28 December 2018, the Board adopted a dividend policy ("Dividend Policy") to provide stable and sustainable returns to the shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account a number of factors including but not limited to:

(i) the general financial condition of the Group;

(ii) the Group's actual and future operations and liquidity position;

(iii) the Group's expected working capital requirements and future expansion plans;

(iv) the Group's debt to equity ratios and debt level;

(v) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(vi) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(vii) the shareholders' and the investors' expectation and industry's norm;

(viii) the general market conditions; and

(ix) any other factors that the Board considers to be applicable from time to time.

The declaration and payment of dividend by the Company is subject to any restrictions under the Laws of Cayman Islands, the Bye-Laws of the Company and any applicable laws rules and regulations.

The Dividend Policy will be continuously reviewed from time to time. There can be no assurance from the Company that a dividend will be proposed or declared in any given period.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 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 2018.

ENVIRONMENTAL POLICIIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2018 are set out in the section headed "2018 Environmental, Social and Governance Report" on pages 54 to 68 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, 23 May 2019 to Tuesday, 28 May 2019, 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 Tuesday, 28 May 2019, 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, 22 May 2019.

The proposed final dividend for the year ended 31 December 2018 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 28 May 2019. The register of members of the Company will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019, 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 Monday, 3 June 2019.

DIRECTORS' REPORT

DONATION

During the year under review, 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 171 and 172 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 2018 are set out in notes 16 and 18 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.

USE OF PROCEEDS – *CONTINUED*

Up to 31 December 2018, the Group has utilised approximately HKD698 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 2018	Balance of net proceeds as at 31 December 2018
	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	93,051	86,949
Working capital	37,000	37,000	–
Total	1,087,000	697,546	389,454

The remaining amount of approximately HKD389 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 2018, 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.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 30 to the consolidated financial statements. During the year ended 2018, 19,829,331 shares were issued on election of scrip in lieu of cash dividends pursuant to the Company's scrip dividend scheme for the 2017 final dividend. Further details of the issue of scrip dividends are set out in the Company's circular dated 25 June 2018.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on pages 78 and 79 of this annual report and note 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, the Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB982.0 million (2017: RMB965.9 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 2018 are set out in note 28 to the consolidated financial statements and the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2018 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 *(Retired on 23 May 2018)*

Independent Non-executive Directors:

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

Pursuant to Article 87 of the Articles of Association, Mr. Liu Jinlan, Mr. Tao Jinxiang and Ms. Xu Chunhua will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The biographical details of the Directors and senior management of the Group are set out on pages 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' REPORT

DIRECTORS' SERVICE CONTRACTS

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

Each of the 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 2018, 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 2018.

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 under review or at any time during the year under review.

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 such controlling sharholder's subsidiaries subsisted during the year ended 31 December 2018. 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 2018.

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 under review.

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

As at 31 December 2018, 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 2018
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)*	624,681,000	41.854%
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)*	624,681,000	41.854%
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)*	624,681,000	41.854%
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)*	624,681,000	41.854%
Koo Fook Sun, Louis	Beneficial owner	250,000	0.017%
William John Sharp	Beneficial owner	250,000	0.017%
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 27,169,000 shares in his own name as at 31 December 2018. 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 2018, Great Trade Limited held 242,148,000 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 4,900,000 shares in his own name as at 31 December 2018. 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 2018, In-Plus Limited held 138,064,000 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 4,464,000 shares in his own name as at 31 December 2018. 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 2018, 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 1,900,000 shares in his own name as at 31 December 2018. 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 2018, Power Aim Limited held 41,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

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

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

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 31 December 2018
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,114	0.000074%

Save as disclosed above, as at 31 December 2018, 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 under review 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 2018 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 2018, 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 required to be kept 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 2018 *(note 3)*
Great Trade Limited	Beneficial owner	242,148,000	16.22%
In-Plus Limited	Beneficial owner	138,064,000	9.25%
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)*	620,428,000	41.57%
JP Morgan Chase & Co.	Interests of controlled corporations *(note 2)*		
	– Long positions	74,827,368	5.01%
	– Short positions	1,550,447	0.10%
	Approved lending agent	72,957,068	4.89%

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 10,357,000 shares in his own name as at 31 December 2018. 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 2018, Wise Creative Limited held 41,725,000 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. For the purpose of Part XV of the SFO, JP Morgan Chase & Co. was deemed to be interested in the 74,827,368 shares in the Company held by its controlled corporations as at 31 December 2018.

3. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2018, i.e. 1,492,531,072 shares.

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 2018 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 13,694,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB28.9 million for the year ended 31 December 2018,. 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*
January 2018	1,844,000	3.05	2.82	5.3	4.6
July 2018	11,850,000	2.52	2.17	27.5	24.3
Total	13,694,000			32.8	28.9

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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 2018 is disclosed in note 13 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 9% of the Group's total revenue for the year ended 31 December 2018. The five largest suppliers represented approximately 84% of the Group's total purchases and the largest supplier represented approximately 79% of the Group's total purchases for the year ended 31 December 2018.

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

28 March 2019

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 to the Listing Rules throughout the year ended 31 December 2018, 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.6.7 provides, among other things, that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 23 May 2018 as they had to attend other meetings or were engaged in other businesses and commitments. However, 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 independent non-executive Directors was ensured.

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

CORPORATE GOVERNANCE REPORT

THE BOARD

Composition and responsibilities

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

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

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

During the year ended 31 December 2018, the non-executive Director, Ms. Wu Xiaohui, has retired by rotation and has not offered herself for re-election. The Board currently comprises seven members, including four executive Directors and three independent non-executive Directors. The executive Directors are Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao. 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 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 2018, 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 2018:

	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 *(retired on 23 May 2018)*	0/0	0/1	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

Note: Three Board meetings were held after the retirement of Ms. Wu Xiaohui as a Director on 23 May 2018.

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 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

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 2018, all independent non-executive Directors have served the Company for more than 9 years and their further re-appointment shall be subject to a separate resolution to be approved by shareholders in accordance with the requirements under Code Provision A.4.3 of the Corporate Governance Code.

Pursuant to Article 87 of the Articles of Association, Mr. Liu Jinlan, Mr. Tao Jinxiang and Ms. Xu Chunhua will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

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 2018 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 *(retired on 23 May 2018)*	No
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 2018, 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 2018 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 2018, 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 2017 and the unaudited financial statements for the six months ended 30 June 2018;

- 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 2018;

- 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; and

- adopting the revised term of reference to include the cooling-off period for former partners of the Company's external auditor before they can be members of the Company's audit committee has been extended from a period of one year to a period for two years, from 1 January 2019 onwards.

On 27 March 2019, 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 2018 as well as the management letter issued by the external auditor for the annual audit for the year ended 31 December 2018.

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 2018. 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 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; 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.

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *CONTINUED*

Subsequent to the year ended 31 December 2018, the Remuneration Committee held another meeting on 11 March 2019. 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 2018;

- 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 2019 with reference to the remuneration package of the Board in 2018 and the Group's estimated financial performance for the year ended 31 December 2019;

- resolved that the total remuneration and compensation of the Directors and senior Management paid for the year ended 31 December 2018 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 2018.

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

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

	Number of individuals
RMB1,000,000 or below	8
RMB1,000,001–RMB2,000,000	4
RMB4,000,001–RMB5,000,000	1
RMB5,000,001–RMB6,000,000	1
RMB7,000,001–RMB8,000,000	2
RMB11,000,001–RMB12,000,000	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 2018, 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 2018.

BOARD COMMITTEES – *CONTINUED*

Nomination Committee – *CONTINUED*

Board Diversity Policy

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

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

During the year ended 31 December 2018, the Nomination Committee members have reviewed the structure, size composition and diversity of the Board and the Policy to ensure its effectiveness.

Nomination Policy

According to the Nomination Policy adopted by the Company, the Nomination Committee shall nominate suitable candidates to the Board. The selection criteria used in assessing the suitability of a candidate include:

a. the candidate's reputation for integrity;

b. the candidate's accomplishment and experience in the radial tire cord industry;

c. the candidate's commitment in respect of available time and relevant interest;

d. the candidate's diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

e. whether the candidate is in compliance with the criteria of independence (in respect of an appointment as an independent non-executive Director) under the Listing Rules; and

f. any other factors that the Nomination Committee considers appropriate in exercising its discretion to nominate any person to be a Director.

BOARD COMMITTEES – *CONTINUED*

Nomination Committee – *CONTINUED*

Nomination Policy – CONTINUED

The Nomination Committee shall identify and select candidates as Directors pursuant to the criteria as set out above, and shall make recommendations for the Board's consideration and approval. In relation to the nomination of an independent non-executive Director, the Nomination Committee shall also consider and assess the candidate's independence in accordance with the Corporate Governance Code and the Listing Rules. The Nomination Committee may use any process it deems appropriate to evaluate the candidates include assessment on the personal information and any additional written information and documents submitted by the candidates, if considered necessary.

A shareholder can serve a notice to the Company Secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular in accordance with the Company's Articles of Association. The details of procedures for shareholders to propose a person for election as a director are set out in the section headed "Procedures for shareholders to propose a person for election as a Director" of this report. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

For proposing candidates including retiring Director to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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 2018.

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 2018.

BOARD COMMITTEES – *CONTINUED*

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 2018.

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 2018. 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 2018. 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.

SHAREHOLDERS RIGHTS – *CONTINUED*

Procedures for shareholders to put forward proposals at a general meeting

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

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

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

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

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

In order for the Company to inform shareholders of the Company of that proposal, the written notice must state the full name of the person proposed for election as a director of the Company, include the person's biographical details as required by Rule 13.51 (2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. The minimum length of the period during which such a written notice is given shall be at least seven days and 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

CORPORATE GOVERNANCE REPORT

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 2018, 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 2018, 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 69 to 74 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2018, the Group paid approximately RMB1,868,000 and RMB356,000 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 2018. 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 that it is responsible for the Group's systems of internal control and risk management and reviewing their effectiveness, 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.

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

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

Process used to identify, evaluate and manage significant risks

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

Main features of Risk Management and Internal Control Systems

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

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

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

Risks handling approach

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

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

In order to comply with the Code Provision C.2 of the Corporate Governance Code, the enterprise risk assessment and internal control systems review are conducted by the Group during the year ended 31 December 2018. 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2018.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished inside information.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

In addition to the annual general meeting which is opened to all shareholders and members of the press, the Company holds analysts briefings and press conferences through various channels to maintain communications between the shareholders and the management of the Company. During the year ended 31 December 2018, 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 23 May 2018, 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.

2018 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 Mainland China over more than two decades of endeavor and development. It has also get into the international market successfully and rewardingly. 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 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, made full use of resources and gave back to the society while guaranteeing the rights of shareholders over the years.

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 excellent corporate culture, good working environment and suitable training opportunities can improve employee performance and take the technology and business of Xingda to a higher level.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION

Emission reduction

The Group's subsidiary, Jiangsu Xingda, is mainly engaged in the production, and Shandong Xingda is also responsible for part of production. The production base in Thailand is still at the stage of construction.

For Jiangsu Xingda and Shandong Xingda, we have formulated comprehensive environmental protection policies for the two production bases, including setting objectives with high standards in accordance with national and industrial standards, closely monitoring and indicating a range of emissions standards. In addition, we set environmental targets and various relevant indicators for the Group for the whole year annually. We have also introduced a number of relevant measures in accordance with emission reduction objectives of various gases, sewage and solid waste and formulated clear internal guidelines for promoting the full cooperation among all levels of the Company actively, so as to achieve all environmental protection goals and maximize the contribution to the environment.

The production of radial tire cords and bead wires undergoes a complicated process with certain substances emitted, including carbon dioxide as the main greenhouse gas. At the same time, 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, several emissions were emitted in the course of power generation.

Carbon dioxide is the main greenhouse gas emitted from the two production bases. Jiangsu Xingda and Shandong Xingda emitted 846,602 tonnes and 128,914 tonnes respectively last year.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Emission reduction – *CONTINUED*

In addition, other emissions including hydrogen chloride gas, soot, sulphur dioxide and nitrogen oxides are also emitted in the course of production of the bases. Respective discharge volume of various emissions by Jiangsu Xingda and Shandong Xingda in 2018 are set forth as below:

Other emissions	**Discharge volume of Jiangsu Xingda**	**Discharge volume of Shandong Xingda**
Hydrogen chloride gas	4.2 tonnes	6.47 tonnes
Soot	2.39 tonnes	0.25 tonne
Sulphur dioxide	62.12 tonnes	1.26 tonnes
Nitrogen oxides	84.93 tonnes	3.33 tonnes

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 2018 are set forth as below:

Sewage	**Discharge volume of Jiangsu Xingda**	**Discharge volume of Shandong Xingda**
COD	40.03 tonnes	3.83 tonnes
Ammonia nitrogen	0.78 tonne	0.0827 tonne
Harmful solid waste		
Finish sludge	8,650 tonnes	586 tonnes
Hydrochloric acid	8,562 tonnes	1,854 tonnes
Waste engine oil	18.35 tonnes	3 tonnes
Waste lead storage battery	52.09 tonnes	8 tonnes
Harmless solid waste		
Packaging materials	2,340 tonnes	325.07 tonnes
Cords	3,955 tonnes	900 tonnes

Note: Shandong Xingda waste hydrochloric acid directly entered the acid wastewater Tank. Since it was treated together with acid wastewater, there were no independent statistical data.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Emission reduction – *CONTINUED*

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. Among which, primary spraying purification tower uses purified water to absorb cyclically. The concentration of Hydrochloric acid reaches 200-220g/l before purified water is used in the workshop again. Secondary spraying purification tower adopts alkaline liquor spraying treatment. These methods allow us to achieve the required emission target. This technology has 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.

Regarding the sewage, Jiangsu Xingda actively improved treatment technology of lubricant waste in sewage station for COD, successfully achieved a reduction in the cost of treatment and COD concentration and total volume discharged. Moreover, Jiangsu Xingda adopted the intermediate water reuse system to reduce the ammonia nitrogen emissions, which significantly reduced the concentration of ammonia nitrogen and the total volume discharged through the filtration process. At the same time, it improved the biochemical treatment system to promote the ammonia nitrogen degradation efficiency. To further reduce the emissions, Jiangsu Xingda has optimized and upgraded the system to enhance the efficiency of emission reduction. As for Shandong Xingda, discharge reduction measures were introduced mainly for wastewater with copper content. Other than controlling the use of water in the workshops, number of copper ion absorber is increased to reduce the copper ion in wastewater. Discharge of wastewater with copper content was successfully reduced by 60%.

For solid waste, Jiangsu Xingda took the initiative to replace obsolete filter press with new program-control filter press for harmful finish sludge to reduce the water content of the sludge and the amount of sludge generated effectively. Besides, recycling of acid waste through phosphoric acid regeneration equipment and hydrochloric acid waste treatment center for integrated utilization successfully reduced the amount of phosphoric acid waste discharged and the amount of phosphoric acid and hydrochloric acid used, lowering the consumption of phosphoric acid and hydrochloric acid. As for Shandong Xingda, it successfully reduced the amount of sludge with copper content generated by overall reduction of wastewater with copper content, thereby minimized handling fee. The two factories have made remarkable achievement in reducing wastewater discharge.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Emission reduction – *CONTINUED*

For the non-harmful solid wastes, Jiangsu Xingda is committed to collecting and recycling packaging materials. This reduced the consumption of packaging materials and boosted the yield rate of the Company's products. The amount of cords wastes produced was also reduced effectively. By conducting training for relevant employees, Shandong Xingda has strengthened production management and control on products and successfully increased one-time production yield rate to reduce production of waste.

In addition, in order to reduce emission of greenhouse gases of power plant, Jiangsu Xingda has been committed to reducing the use of coal and successfully lowered carbon dioxide emission. In the meantime, it formulated upgrading and reconstruction of desulfurization, denitrification and dust removal facilities for soot, sulphur dioxide, nitrogen oxides and other emissions. This facilitated achievement of ultra-low emission and satisfaction of all environmental discharge standards and control requirements on total volume.

Application of resources

The Group understands that resources of the earth are very limited, we therefore spare no effort in energy conservation and water conservation. 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 and regularly accepted inspections by the relevant supervision authorities of the government. The Group never had any violation in this aspect.

In terms of production, the main raw material for radial tire cords and bead wires used to manufacture radial tires was high carbon steel. In 2018, Jiangsu Xingda and Shandong Xingda consumed 725,000 tonnes and 91,000 tonnes of wire rods respectively in the course of production. We strive to improve production capacity and reduce the use and disposal of raw materials. We also promote recycling of resources actively by, for instance, introducing system of circulating electroplating fluid as a supplement into the electroplating progress.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Application of resources – *CONTINUED*

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 the above resources by Jiangsu Xingda and Shandong Xingda in 2018 are set forth as below:

Resources	**Consumption of Jiangsu Xingda**	**Consumption of Shandong Xingda**
Electricity	1.07 TWh	0.14 TWh
Water	2.4 million tonnes	225,000 tonnes
Natural gas	35.57 million cubic meters	4.61 million cubic meters
Diesel	264 tonnes	30 tonnes
Coal	185,000 tonnes	Not applicable
Packaging materials		
Spools	23.11 million	290,000
Partition plates	2,130,000	310,000
Plastic pallets	397,000	30,000
Carton box	460,000 sets	69,000 sets

Note: Shandong Xingda does not have power plant, coal cannot be used.

In addition, the plant in Thailand under construction had consumed 105,000kWh of electricity and 9,100 tonne of water for respectively last year during the construction period.

In 2018, the Group enacted various energy conservation plans for its business, aiming to save 8,000 tonnes of standard coal and to reduce electricity consumption in unit by 1.5%. Through the joint efforts of all units throughout the year, the standard coal was saved up to 10,200 tonnes, surpassed the goal set at the beginning of year.

Last year, the main energy-saving measures of the Group include improvement and enhancement of water pump utilities such as water pumps to avoid any situation of waste such as water leakage. At the same time, the Group is committed to adopting the plan of recycling cooling water, with utilization efficiency improved as well. This successfully reduced the consumption of water significantly and had a remarkable result.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Application of resources – *CONTINUED*

For conserving 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. It did not only saved valuable resources, but also reduced emissions from the burning of these resources.

Besides, we actively encourage the use of high efficiency LED energy-saving lights in all departments of the Company to promote green lighting. We also strive to elevate the techniques and equipment for production, such as enhancement of high efficiency permanent magnet synchronous motors, and launch measures such as transformation of networking air supply in centrifugal air compressor area. These measures successfully reduced unit consumption of electricity by 3.7%, which optimized cost-efficiency and brought positive impact to the environment.

For packaging materials, recycling is our main strategy. We have reclaimed spools, partition plates, plastic pallets and carton box actively and reused them if possible, which reduced the consumption of packaging materials effectively.

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. The leading group was responsible for formulation corresponding measures and plans. Implementation groups for clean production have also been set up in each subsidiary and department. Such groups have served to implement the measures and to ensure the goals set were achieved gradually. This comprehensive structure enabled smoother implementation of all environmental protection policies. In addition to publicity and education, we also implemented a production-cost-linked program of employee compensation, and 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.

Environment and natural resources

The Group's business does not have significant influence on environment and natural resources, but all departments will not slacken and they have been strictly complied with the relevant national laws and regulations. They also closely monitored various indicators of emission and use of resources to ensure that no significant effect on environment and natural resources has been made. For example, we monitored the water quality of each plant throughout the whole process and installed on-line pH monitoring and electric gates at each discharge port to ensure that no wastewater was leaked.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION – *CONTINUED*

Environment and natural resources – *CONTINUED*

Besides, we actively formulate projects for the promotion and transformation of the environmental protection facilities, as well as energy conservation policies for the company. We have eliminated obsolete energy consuming equipment and replaced the equipment by the new advanced eco-friendly equipment. We have also adopted emission reducing and energy-saving techniques or equipment such as multiple towers which treated exhaust gas in series, and strictly monitored the emission concentration of various gases to achieve ultra-low emissions.

Combined efforts were also made with third parties to implement environmental protection measures. For example, we collected all kinds of solid waste, with non-hazardous wastes being sold out, and domestic wastes 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.

For the construction of factory in Thailand, we formulated all related targets and control measures to ensure that the construction work would not have significant impact on the environment and complied with local laws and industry regulations in all respects.

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 level evaluation awarded by the Department of Ecology and Environment of Jiangsu Province and obtained 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 the years and all types of indicators have been in line with national regulations and industry standards, we will not be pleased with ourselves on the current results. We will continue our efforts to protect the environment and prudently use natural resources in all aspects to facilitate and maintain the sustainability of our business, so as to spare no effort in minimizing the impact of the Group’s business 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 internal policies to improve the relevant systems. For example, the Employee Handbook compiled for our employees sets forth in detail the Group's policies on salary, recruitment, termination and promotion, and sets forth clearly the working hours, holidays and all benefits.

Besides, we formatted relevant guidelines for different business sectors, such as the Management Measures of Remuneration of the Company, the Employee Resignation Management System, the Management System on Employee Recruitment, the Employee Career Planning and Management Implementation Measures, the Leave Management System for Employees, the Employee Overtime Management System, Management Regulations on Anti-Discrimination, Anti-Harassment, and Anti-Abuse, to provide comprehensive protection to the employees and prevent any situation of inequality.

We expect employees to receive proper returns for their contribution to the Company. In addition to annual bonus and other benefits, as to reward outstanding talents and encourage them to continuously contribute to the Group, the Group continued to carry out the share award scheme in the past year. The Group granted shares to the selected employees to reward their contribution, so as to boost the sense of belonging to the Company and morale of the employees. In 2018, the Group attributed the shares to the selected employees to share with them the fruitful outcomes of the Group.

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 have also provided the employees with commercial insurance for welfare security to grant them additional protection and to ensure all employees are protected by insurance.

We also specifically protect female employees' rights. For example, we do not arrange female employees to work in areas with relatively bad condition such as high temperature or work-at-height, higher risk in occupational injury or to take up tasks which require high physical strength. We also strictly followed the requirement of the country to offer maternity leave and various holidays and rests to the female employees, so that their physical needs will be taken into account. We also set up Women's Work Committee, which specializes in welfare protection of female employees, and we also convened the female workers' meeting regularly to collect their valuable opinions. We also actively promoted female employees to the position of senior executives, with the ratio of female employees to the position of senior executives of the Group accounting for 17.18% in 2018.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYEE POLICIES – *CONTINUED*

Rights and interests of employees – *CONTINUED*

In 2018, the Group paid the union fee of RMB11.1 million in total. Apart from the different activities and welfare provided to the employees by the labour union, it also held various schemes to support the employees in difficulty, such as "Creating Employment in Spring", "Cooling in Summer", "Study Aid in Autumn" and "Warming in Winter", etc.

The labour union organized various competitions on skills, which improved the operational level of employees in the form of competition. With the help of cultural and sports activities, the cultural accomplishment of the employees of Xingda can be fostered. Last year, the labour union provided various benefits to the employees, including giving out mooncakes in the Mid-Autumn Festival, giving out big gifts in the Chinese New Year, supermarket subsidy, employee vehicle maintenance subsidy, swimming pool maintenance and training at conference center.

The Group places great emphasis on employees' opinions and encourages equal dialogue between employees at all ranks. Through setting up the letter box of the Chairman of the Board, the letter box of general manager, the letter box of discipline inspection and the employee forum platform on the WeChat official account "Xingda Shares", the Internet has been fully utilized to enable employees to express opinion. The Chairman of the Board and general manager handle all the letters with signatures in person.

Furthermore, each subsidiary held "Democratic life meeting" three times a month, which allowed the request and suggestion of the employees to be heard . With the quarterly employees satisfaction surveys, main problems employees faced during work could be understood and reviewed so as to improve the morale of employees.

On the other hand, we set up information bulletin board and published Xingda Newspaper, so that employees will can receive 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 staff meetings and other different kinds of meetings and activities held at the year end, so as to improve mutual understanding and trust.

As of 31 December 2018, Jiangsu plant and Shandong plant of the Group had 5,980 and 771 employees respectively, and the ratio of male to female were 2.18 to 1 and 2.7 to 1 respectively, the average loss rate were 2.48% and 1.55% respectively. The staff dismissed mainly were from the front-line operators, technical and management positions.

EMPLOYEE POLICIES – *CONTINUED*

Rights and interests of employees – *CONTINUED*

Basic information of employees at Jiangsu plant 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
166	2.78%	187	3.13%	224	3.75%	5,403	90.35%

By age

Under 20		20-35		36-50		Above 50	
Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
21	0.35%	2,991	50.02%	2,719	45.47%	249	4.16%

Note: Percentages are rounded and they may not add up to 100%.

Basic information of employees at Shangdong plant 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
10	1.30%	139	18.03%	32	4.15%	590	76.52%

By age

Under 20		20-35		36-50		Above 50	
Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
1	0.13%	509	66.02%	238	30.87%	23	2.98%

Note: Percentages are rounded and they may not add up to 100%.

EMPLOYEE POLICIES – *CONTINUED*

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, 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 Safety and Energy Conservation Management System and so on. The Group strictly complies with national and local relevant laws and regulations, including Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and others, more than 100 regulations.

In order to effectively monitor and implement the Group's occupational safety policies and measures, we established a safety production team to implement the instructions on safety from the management and the requirements of national policies and laws and regulations. The safety measures of each department are examined from time to time and on-site safety and sanitation inspections are carried out regularly by personnel. If there are any non-compliance matters, timely notifications will be made to relevant departments and responsible supervisors to prevent issues by asking them to review and rectify. The team is also responsible for education and training programs for production in safety to promote occupational health and safety management system. This includes arranging "Safe Production Month" campaign to increase employees' safety awareness. The team is also responsible for annual approval and long-term safety planning. In addition to formulating and implementing emergency response plans for accidents, the team also participates in conducting in-depth investigations and analysis for material accidents and provide a true report and review.

In addition, Jiangsu Xingda has established an emergency management department responsible for safety affairs, whereas Shandong Xingda has established a safety and environmental protection office to conduct regular environment examination on plants. Equipment department regularly sends staff to carry out repair and maintenance work at the plants, and each department will arrange self-inspection on a regular basis.

As for the safety measures in the plants, we have installed suspended hood and purification towers for our employees 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. We have added shock absorption and noise prevention facilities, and have distributed various safety equipment to our employees and encouraged them to make use of them, including dust masks, earplugs, safety glasses and safety shoes. Regarding high-risk job positions, we regularly monitored the concentration of harmful substances, and arranged body check for relevant employees. At the same time, we posted warning signs, bulletin boards, emergency evacuation maps, etc. in the key spots of the work place to remind employees to be careful and perform protective measures. We have also prepared detailed operational guidelines and safety practices for our employees, so that they could be aware of various operations and risks and be alert in advance.

EMPLOYEE POLICIES – *CONTINUED*

Occupational safety – *CONTINUED*

The Group fully implemented the occupational safety policy of 'safety first, prevention-oriented and comprehensive management', and focused on safety training and education. In this regard, the Xingda Institute and its subsidiaries regularly provided employees with relevant knowledge through trainings to raise their safety awareness, improve their operational skills and avoid accidents. Last year, we conducted relevant safety training for persons in charge of the company, safety production management personnel, special technicians, team leaders and other employees. Many of the employees also obtained relevant certificates, such as Safety Management Personnel Certificate and Welding Work Certificate, Electric Work Permit, Forklift Operation Certificate, etc. For positions with higher operational risk, employees must pass the safety training and assessment.

Development, training and evaluation

The Group formulated the Training Procedures Document for staff training, as well as relevant materials such as Xingda Staff Training Management System, Human Resources Center Training Management Manual and Internal Lecturer Management System. Firstly, request of trainings was made by each department and subsidiary in accordance with its development needs, duty requirements and career development planning, then formulated tailor-made annual training plans for employees at all levels of the Company, with implementation after approval by the general manager. With regards to overall planning, Jiangsu Xingda is under the responsibility of Xingda Institute. Shandong Xingda's training program was mainly developed by its human resources department. However, some of the textbooks were provided by Xingda Institute, and the training mediums and methods were also referred to Xingda Institute.

Xingda Institute and Shandong Xingda Human Resources Department formulated monthly training arrangements according to the annual plan, customized course content for employees at all levels, and provided technical, production, safety and management trainings for employees through theoretical teaching, case studies, online tutorials and practical operations, etc. After the training, the trainees would be effectively evaluated and the training would also be reviewed and improved. In order to encourage employees to actively receive training, relevant assessment and training performance would be pegged to job promotion and compensation.

Last year, we organized a number of internal and external trainings, covering a wide range topics. Last year, Jiangsu Xingda alone held 1,450 trainings, in different plants, departments and ranks, covering management, safety production, corporate culture, and various technical operations. Shandong Xingda arranged training on quality review for supervisors.

EMPLOYEE POLICIES – *CONTINUED*

Development, training and evaluation – *CONTINUED*

In terms of external training, Xingda Institute organized a total of 27 external training sessions and internal training projects held by external parties in 2018, covering management, research and development, technology, quality, systems and finance, etc. We communicated with the Jiangsu Provincial Enterprise Association, the Taizhou Municipal Economic and Information Technology Commission, the Taizhou Municipal Human Resources and Social Security Bureau and other government departments, and sent staff to participate in external courses such as Xinghua City Sixth Corporate President Training Course, 2018 Jiangsu Province Yingying Talented Artisan Industry Training, Product Engineer Training and CNC Technology Processing Training.

Last year, Jiangsu Xingda's training hours was 23.98 hours per person, exceeding the annual target of 20 hours. Shandong Xingda also completed the target of arranging 2 hours of training per person every month.

Labor norm

The Group strictly complies with the relevant national laws on labor standards and has formulated internal policies and regulations such as the Company Recruitment Management System, Prohibition of Child Labor Management Measures, Prohibition of Forced Labor Management Measures and Policy, Management Regulations on Anti-Discrimination, Anti-Harassment, and Anti-Abuse, Employee Handbook, in order to strictly monitor and prevent the emergence of child labor and forced labor.

All employees must be at least 18 years of age and there is verification of their valid identity documents upon their entry. 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. If problems are discovered, we have a developed comprehensive follow-up system.

OPERATION CONVENTION

Supply-chain management

We have established the Supplier Management System, 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%.

OPERATION CONVENTION – *CONTINUED*

Product responsibility

Products of the Group are all in compliance with legal requirements, while its effective management system has also passed the IATF16949 quality system certification. We have established a documented quality control system in accordance with the latest IATF16949 standard and a strict product liability policy, under which the quality center monitors health safety and labeling standards of our products. In addition, the intellectual property rights management department has formulated strict policies guarding for privacy, such as the Employee Confidentiality Regulations and Information Management System; whereas the intellectual product management department comprehensively protects and manages intellectual property rights in accordance with the Intellectual Property Rights Management Policy.

The Group did not have any products recalled due to safety or health issues last year. The 32 opinions received from customers were handled by the market service department by communicating with the customers, while further referral will be made to quality, technology, manufacturing and other relevant departments to comprehensively meet the needs of our customers and fulfill our commitment to quality.

Anti-corruption

Since its establishment, the Group has strictly complied with the relevant national laws and regulations, with no violation to any requirements. As a large-scale enterprise, preventing commercial bribery is the keynote of anti-corruption, for which we have established a number of measures such as formulating the regulation of "three prohibits" – all employees are prohibited from receiving or sending any form of money or gifts, exercising their powers to obtain personal benefits, or using festive gifts as an excuse for promoting business relationships. 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 2018, 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.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 no delay in different types of charitable activities, mainly in those covering labor needs, health, culture, sports and education.

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 2018, Xingda not only funded RMB400,000 in Dainan High School in Xinghua City, Jiangsu Province, but also established the Xingda Group for the school to reward relevant teachers and to provide better education resources for children of employees.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 75 to 170, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") 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
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2018, the Group's net trade receivables amounting to approximately RMB2,685,361,000, which represented approximately 21% of total assets of the Group and out of these trade receivables of approximately RMB617,073,000 were past due. As explained in note 2.2 to the consolidated financial statements, in the current year, the Group adopted International Financial Reporting Standard 9 "Financial Instruments" (IFRS 9) and recognised an additional impairment of RMB12,646,000 as at 1 January 2018 in accordance with the transitional provisions of IFRS 9.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the accuracy of the ECL adjustment made by the Group as at 1 January 2018 on initial adoption of IFRS 9;

KEY AUDIT MATTERS – *CONTINUED*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables – *Continued*	
As disclosed in note 37 (b) to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 37 (b) to the consolidated financial statements, the Group recognised an additional amount of RMB15,112,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2018 amounted to approximately RMB110,046,000.	• Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 1 January 2018 and 31 December 2018, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Testing subsequent settlements of credit impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

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 IFRS Standards issued by the IASB 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
28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*6*	**7,558,367**	6,886,914
Cost of sales		**(6,235,889)**	(5,609,213)
Gross profit		**1,322,478**	1,277,701
Other income	*7*	**136,708**	97,550
Government grants	*8*	**13,798**	29,638
Distribution and selling expenses		**(512,584)**	(475,918)
Administrative expenses		**(361,892)**	(319,117)
Other gains and losses, net	*9*	**19,425**	(17,116)
Impairment loss recognised on trade and other receivables		**(15,112)**	(14,746)
Research and development expenditure		**(75,250)**	(58,425)
Finance costs	*10*	**(44,974)**	(38,094)
Profit before tax		**482,597**	481,473
Income tax expense	*11*	**(110,742)**	(103,189)
Profit and total comprehensive income for the year, net of tax	*12*	**371,855**	378,284
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**263,663**	287,363
Non-controlling interests		**108,192**	90,921
		371,855	378,284
Earnings per share	*15*		
Basic and diluted (RMB fen)		**17.8**	19.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**3,843,962**	3,817,310
Prepaid lease payments	17	**344,708**	342,575
Investment properties	18	**153,960**	148,540
Fixed bank deposits with more than three months to maturity when placed	24	**900,000**	1,000,000
Deferred tax assets	19	**17,321**	15,628
Prepayments	20	**29,963**	32,963
		5,289,914	5,357,016
CURRENT ASSETS			
Prepaid lease payments	17	**7,315**	7,130
Inventories	21	**679,911**	724,558
Financial assets at fair value through profit or loss	22	**60,249**	–
Fixed bank deposits with more than three months to maturity when placed	24	**100,000**	–
Trade, bill and other receivables	23	**5,494,726**	5,448,113
Pledged bank deposits	24	**52,000**	68,000
Bank balances and cash	24	**1,104,447**	756,985
		7,498,648	7,004,786
CURRENT LIABILITIES			
Trade, bill and other payables	25	**3,829,080**	3,925,184
Contract liabilities	26	**31,845**	–
Amount due to a related company	27	**1,620**	3,977
Tax liabilities		**43,597**	28,342
Dividend payable to non-controlling interests		**27,195**	–
Borrowings – due within one year	28	**1,144,443**	953,030
Government grants	29	**–**	7,000
		5,077,780	4,917,533
NET CURRENT ASSETS		**2,420,868**	2,087,253
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,710,782**	7,444,269

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*19*	**12,327**	11,436
Borrowings – due after one year	*28*	**150,000**	–
		162,327	11,436
NET ASSETS		**7,548,455**	7,432,833
CAPITAL AND RESERVES			
Share capital	*30*	**148,388**	147,923
Share premium and other reserves		**5,302,835**	5,219,404
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,451,223**	5,367,327
Non-controlling interests	*38(ii)*	**2,097,232**	2,065,506
TOTAL EQUITY		**7,548,455**	7,432,833

The consolidated financial statements on pages 75 to 170 were approved and authorised for issue by the Board of Directors on 28 March 2019 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 2018

	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 2017	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 14)*	2,012	51,696	–	–	–	–	–	–	–	53,708	–	53,708
Dividend recognised as distribution *(note 14)*	–	(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
At 1 January 2018 (audited)	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
Adjustments *(Note 2.2)*	–	–	–	–	–	–	(9,066)	–	–	(9,066)	(3,580)	(12,646)
At 1 January 2018 (restated)	147,923	264,802	285,126	(130,150)	710,867	7,150	4,080,654	(20,072)	11,961	5,358,261	2,061,926	7,420,187
Profit and total comprehensive income for the year	–	–	–	–	–	–	263,663	–	–	263,663	108,192	371,855
Appropriations	–	–	–	–	40,616	–	(40,616)	–	–	–	–	–
Issuance of scrip shares *(note 14)*	1,657	37,626	–	–	–	–	–	–	–	39,283	–	39,283
Dividend recognised as distribution *(note 14)*	–	(186,143)	–	–	–	–	–	–	–	(186,143)	–	(186,143)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	(72,886)	(72,886)
Repurchase of ordinary shares *(note 30)*	(1,192)	(27,754)	–	–	–	1,192	(1,192)	–	–	(28,946)	–	(28,946)
Shares vested under the share-award scheme	–	–	–	–	–	–	1,054	8,021	(9,075)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	5,105	5,105	–	5,105
At 31 December 2018	**148,388**	**88,531**	**285,126**	**(130,150)**	**751,483**	**8,342**	**4,303,563**	**(12,051)**	**7,991**	**5,451,223**	**2,097,232**	**7,548,455**

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 2018

	2018	2017
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**482,597**	481,473
Adjustments for:		
Depreciation and amortisation	**529,664**	529,245
Interest income	**(41,349)**	(36,664)
Gain on fair value changes of investment properties	**(5,420)**	(8,350)
Loss on disposal of property, plant and equipment	**9,652**	2,699
Impairment losses recognised on trade and other receivables	**19,024**	15,939
Impairment loss reversed on trade and other receivables	**(3,912)**	(1,193)
Recognition of equity-settled share-based payments	**5,105**	7,126
Finance costs	**44,974**	38,094
Loss on change in fair value of financial assets at fair value through profit or loss	**2,533**	–
Unrealised exchange gain	**(14,583)**	–
Operating cash flows before movements in working capital	**1,028,285**	1,028,369
Decrease (increase) in inventories	**44,647**	(165,554)
Increase in trade, bill and other receivables	**(38,149)**	(825,335)
Increase in financial assets at fair value through profit or loss	**(62,782)**	–
Decrease (increase) in prepayments	**3,000**	(31,963)
(Decrease) increase in trade, bill and other payables	**(41,923)**	1,123,372
Increase in contract liabilities	**27,317**	–
Decrease in government grants received	**(7,000)**	–
(Decrease) increase in amount due to a related company	**(2,357)**	896
Cash generated from operations	**951,038**	1,129,785
Income taxes paid	**(96,289)**	(117,172)
NET CASH FROM OPERATING ACTIVITIES	**854,749**	1,012,613

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(634,887)**	(379,082)
Placement of pledged bank deposits	**(117,000)**	(68,000)
Purchases of land use rights	**(9,541)**	(55,855)
Withdrawal of pledged bank deposits	**133,000**	69,500
Proceeds on disposal of property, plant and equipment	**33,324**	4,005
Interest received	**5,127**	3,045
Placement of fixed bank deposits with more than three months to maturity when placed	**–**	(100,000)
NET CASH USED IN INVESTING ACTIVITIES	**(589,977)**	(526,387)
FINANCING ACTIVITIES		
New bank borrowings raised	**1,551,902**	724,886
Other loans raised	**50,000**	2,500
Repayments of bank borrowings	**(1,260,530)**	(693,250)
Dividends paid	**(146,860)**	(143,323)
Dividends paid to non-controlling interests of a subsidiary	**(45,691)**	(45,690)
Interest paid	**(51,809)**	(38,495)
Payment on repurchase of ordinary shares	**(28,946)**	(12,139)
Repayment of other loans	**–**	(3,900)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**68,066**	(209,411)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**332,838**	276,815
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**756,985**	480,170
Effect of foreign exchange rate changes	**14,624**	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**1,104,447**	756,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

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

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

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

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 cycle
Amendments to IAS 40	Transfer of Investment Property

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

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year – *Continued*

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from the sales of radial tire cords, bead wires and other wires which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 3 and 6 respectively.

Summary of effects arising from initial application of IFRS 15

As at 1 January 2018, the Group has trade deposits received from customers amounted to RMB4,528,000 previously included in trade, bill and other payables were reclassified to contract liabilities. The impacts from the application on IFRS 15 thereof are shown in the following table.

	31 December 2017 (Audited)	**Impact on adoption of IFRS 15**	**Impact on 1 January 2018 (Restated)**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade, bill and other payables	3,925,184	(4,528)	3,920,656
Contract liabilities	–	4,528	4,528

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year – *Continued*

2.1 *IFRS 15 Revenue from Contracts with Customers – Continued*

Summary of effects arising from initial application of IFRS 15 – *Continued*

The following table summaries the impacts of applying to IFRS 15 on consolidated statement of financial position at 31 December 2018 and its consolidated statement of cash flows for the year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade, bill and other payables	3,829,080	31,845	3,860,925
Contract liabilities	31,845	(31,845)	–

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Decrease in trade, bill and other payables	(41,923)	27,317	14,606
Increase in contract liabilities	27,317	(27,317)	–

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year – *Continued*

2.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement.* Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year – *Continued*

2.2 IFRS 9 Financial Instruments – Continued

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	**Amortised cost (previously classified as loans and receivables)** *RMB'000*	**Retained profits** *RMB'000*	**Non–controlling interests** *RMB'000*
Closing balance at 31 December 2017 (audited) – IAS 39		7,220,765	4,089,720	2,065,506
Effect arising from initial application of IFRS 9:				
Remeasurement				
Impairment under ECL model	*(a)*	(12,646)	(9,066)	(3,580)
Opening balance at 1 January 2018 – IFRS 9		7,208,119	4,080,654	2,061,926

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year – *Continued*

2.2 IFRS 9 Financial Instruments – Continued

Summary of effects arising from initial application of IFRS 9 – *Continued*

Note:

(a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and bill receivables. Trade receivables have been assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

Except for those which had been determined as credit-impaired under IAS 39, loss allowances for other financial assets at amortised cost mainly comprise of fixed bank deposits with more than three months to maturity when placed, other receivables, pledged bank deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit losses allowance of RMB12,646,000 has been recognised against retained profits and non-controlling interests. The additional loss allowance is charged against the trade and bill receivables.

All loss allowances for trade and bill receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade and bill receivables *RMB'000*
At 31 December 2017 – IAS 39	82,288
Amounts remeasured through opening retained profits and non-controlling interests	12,646
At 1 January 2018	94,934

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year – *Continued*

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	Impact on adoption of IFRS 15	Impact on adoption of IFRS 9	1 January 2018 (Restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	5,357,016			5,357,016
Current assets				
Trade, bill and other receivables	5,448,113	–	(12,646)	5,435,467
Others	1,556,673	–	–	1,556,673
	7,004,786			6,992,140
Current liabilities				
Trade, bill and other payables	3,925,184	(4,528)	–	3,920,656
Contract liabilities	–	4,528	–	4,528
Others	992,349	–	–	992,349
	4,917,533			4,917,533
Net current assets	2,087,253			2,074,607
Total assets less current liabilities	7,444,269			7,431,623

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

New and Amendments to IFRS Standards that are mandatorily effective for the current year – *Continued*

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards – Continued

	31 December 2017 (Audited)	Impact on adoption of IFRS 15	Impact on adoption of IFRS 9	1 January 2018 (Restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities	11,436	–	–	11,436
Net assets	7,432,833			7,420,187
Capital and Reserves				
Share capital	147,923	–	–	147,923
Share premium and other reserves	5,219,404	–	(9,066)	5,210,338
	5,367,327			5,358,261
Non-controlling interests	2,065,506	–	(3,580)	2,061,926
Total Equity	7,432,833			7,420,187

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

New and Amendments to IFRS Standards issued but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") – *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. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

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, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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.

Other than certain requirements which are also applicable to lessor, 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.

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

IFRS 16 Leases – *Continued*

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB267,000 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.

In addition, the Group currently consider refundable rental deposits paid of RMB12,000 and refundable rental deposits received of RMB858,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of- use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS Standards 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 ("CO").

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

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

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

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 at initial recognition 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transactions in Note 2)

Under IFRS 15, the Group 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.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Revenue recognition (prior to 1 January 2018)

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.

Leases

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*

Leases – *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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period.

Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

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

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

Retirement benefit costs

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

Taxation

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Taxation – *Continued*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 assets or financial liabilities, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at financial assets at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at financial assets at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) – *Continued*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group's financial assets recognised under IFRS 9 are subsequently measured at amortised cost and financial assets FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and bill receivables, other receivables, fixed bank deposits with more than three months to maturity when placed, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bill receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) – *Continued*

(a) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) – *Continued*

(b) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(d) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) – *Continued*

(e) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the past-due status basis.

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bill receivables, where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified as 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 discounted 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 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, bill and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) – *Continued*

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.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Financial liabilities at amortised cost

Financial liabilities including trade, bill and other payables, amount due to a related party and borrowings 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payments

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 these 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.

The recoverable amount of tangible assets are estimated individually, 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.

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.

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 2018, investment properties were carried in the consolidated statement of financial position at aggregate fair value of RMB153,960,000 (2017: RMB148,540,000). 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 2018, deferred tax assets of RMB17,321,000 (2017: RMB15,628,000) in relation to temporary differences on depreciation of property, plant and equipment and allowances for credit losses 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.

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 18 and 37 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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

Key sources of estimation uncertainty – *Continued*

Estimated provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 37 and 23, respectively.

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. REVENUE AND SEGMENT INFORMATION

Revenue

(a) Disaggregation of revenue

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

	2018	2017
	RMB'000	*RMB'000*
Sale of products		
Radial Tire Cords		
– For trucks	**4,488,106**	3,998,660
– For passenger cars	**2,182,038**	2,158,368
Bead wires and other wires	**888,223**	729,886
Total	**7,558,367**	6,886,914
Timing of revenue recognition		
A point in time	**7,558,367**	6,886,914

The contracts for sales of goods to external customers are short-term and the contract prices are fixed.

The Group's customers were tyre manufacturers in the PRC and other countries.

(b) Performance obligations for contracts with customers

Sale of radial tire cords, bead wires and other wires (revenue recognised at a point in time).

The Group sells radial tire cords and wires to external customers in which the revenue is recognised when the control of the goods has transferred to the customers, being when the goods have been shipped to the external customers' specific location. The average credit term is 120 days upon delivery.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

All performance obligations for sale of radial tire cords, bead wires and other wires are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. REVENUE AND SEGMENT INFORMATION – *CONTINUED*

Segment information

The directors of the Company, 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 of the Company 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 information about its non-current assets (other than deferred tax assets and fixed deposits with more than three months to maturity when placed) by geographical locations of the assets are details below:

	2018	2017
	RMB'000	*RMB'000*
The PRC	**4,173,698**	4,275,093
Thailand	**198,895**	66,295
	4,372,593	4,341,388

Geographical information

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

	2018	2017
	RMB'000	*RMB'000*
The PRC (country of domicile)	**5,561,035**	5,285,470
India	**422,794**	276,096
United States of America	**331,000**	272,851
Korea	**165,551**	172,938
Germany	**73,077**	43,038
Others	**1,004,910**	836,521
	7,558,367	6,886,914

"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 2018 and 2017.

7. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Sales of scrap materials	**52,041**	45,050
Interest income earned on bank balances and bank deposits	**41,349**	36,664
Waiver of trade payable *(Note)*	**24,811**	–
Rental income from investment properties, net	**6,796**	6,042
Service income	**4,122**	2,874
Sundry income	**7,589**	6,920
	136,708	97,550

Note: The amount represented the waiver of outstanding trade payable to a supplier based on the decision of the court for the poor quality of goods supplied.

8. GOVERNMENT GRANTS

Government grants include incentive subsidies amounted to RMB6,798,000 (2017: RMB29,638,000) for technology improvement on production skills and research on new products received with no future related costs or without any conditions received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 during the year ended 31 December 2018. In addition, the Group recognised the amount of RMB7,000,000 incentive subsidy received in prior years as income upon the completion of the technological advancement project in 2018, as detailed in note 29.

9. OTHER GAINS AND LOSSES, NET

	2018	2017
	RMB'000	*RMB'000*
Gain from change in fair value of investment properties	**5,420**	8,350
Loss on disposal of property, plant and equipment	**(9,652)**	(2,699)
Loss on change in fair value of financial assets at fair value through profit or loss	**(2,533)**	–
Net foreign exchange gain (loss)	**27,499**	(22,767)
Others	**(1,309)**	–
	19,425	(17,116)

10. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interests on:		
Bank loans and other borrowings	**45,626**	34,801
Bill receivables discounted	**8,202**	3,293
	53,828	38,094
Less: amount capitalised in the cost of qualifying assets	**(8,854)**	–
	44,974	38,094

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.92% per annum to expenditure on qualifying assets (2017: Nil).

11. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax	**95,195**	95,431
(Over) under provision in prior years	**(382)**	616
Withholding tax paid	**16,731**	6,930
Deferred tax *(note 19)*	**(802)**	212
	110,742	103,189

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 on 6 July 2018 with the relevant authorities announced publicly on 20 October 2018 that Jiangsu Xingda is continued to entitle the tax incentive as High-tech Enterprise and accordingly, the status of High-tech Enterprise is to be effective for the years 2018, 2019 and 2020. 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 2018 and 2017.

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.

11. INCOME TAX EXPENSE – *CONTINUED*

The income tax expense 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:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**482,597**	481,473
Tax at the PRC tax rate of 25%	**120,649**	120,368
Tax effect of expenses not deductible for tax purposes	**18,944**	16,609
Tax effect of income not taxable for tax purposes	**(12,815)**	(8,761)
Tax effect of preferential tax rate	**(32,399)**	(33,142)
(Over) under provision in prior years	**(382)**	616
Deferred tax on undistributed earnings of PRC subsidiaries *(Note)*	**(318)**	84
Withholding tax paid *(Note)*	**16,731**	6,930
Others	**332**	485
Income tax expense for the year	**110,742**	103,189

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 2018, two of the PRC subsidiaries (2017: one), Xingda Special Cords and Jiangsu Xingda (2017: Xingda Special Cords) has distributed dividends of RMB167,309,000 (2017: RMB69,300,000) to its immediate holding company, Faith Maple which was not accredited as a PRC tax resident as at 31 December 2018 and up to the date of these consolidated financial statements were authorised for issuance.

As a result, a deferred tax credit of approximately RMB318,000 (2017: tax charge RMB84,000) 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 amounting to RMB3,303,000,000 (2017: RMB3,110,000,000), 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.

12. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration *(note 13)*		
Salaries, wages and other benefits	**659,283**	581,264
Retirement benefits scheme contributions *(note 34)*	**61,614**	42,157
Share-based payments	**5,105**	7,126
Total staff costs	**726,002**	630,547
Less: capitalised in inventories	**(435,100)**	(403,143)
Less: included in research and development expenditure	**(34,660)**	(31,636)
	256,242	195,768
Auditor's remuneration	**2,224**	2,106
Cost of inventories recognised as an expense	**6,235,889**	5,609,213
Depreciation and amortisation		
– Property, plant and equipment	**522,441**	522,225
– Prepaid lease payments	**7,223**	7,020
Total depreciation and amortisation	**529,664**	529,245
Less: capitalised in inventories	**(443,439)**	(459,399)
Less: included in research and development expenditure	**(2,349)**	(330)
	83,876	69,516
Gross rental income from investment properties	**(7,312)**	(6,152)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**516**	110
Rental income from investment properties, net *(note 7)*	**(6,796)**	(6,042)
Operating lease payments in respect of premises	**290**	290

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to seven (2017: eight) directors were as follows:

	2018	2017
	RMB'000	*RMB'000*
Fees	**1,029**	1,308
Salaries and other allowances	**10,836**	11,981
Performance related incentive bonus *(note)*	**16,271**	17,951
Retirement benefits scheme contributions	**57**	54
Share-based payments	**3,599**	4,973
	31,792	36,267

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

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

Directors – *Continued*

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

Year ended 31 December 2018

	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	–	3,855	5,783	18	1,416	11,072
LIU Xiang	–	2,614	3,937	18	708	7,277
TAO Jinxiang	–	2,701	4,052	18	708	7,479
ZHANG Yuxiao	–	1,666	2,499	3	649	4,817
Non-executive Director						
Wu Xiaohui (retired on 23 May 2018)	–	–	–	–	–	–
Independent Non-executive Directors						
William John SHARP	343	–	–	–	59	402
KOO Fook Sun, Louis	343	–	–	–	59	402
XU Chunhua	343	–	–	–	–	343
	1,029	10,836	16,271	57	3,599	31,792

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

Directors – *Continued*

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

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.

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

Five highest paid employees

The five highest paid employees of the Group during the year included four directors (2017: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining one (2017: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,905**	2,098
Performance related incentive bonus *(note)*	**2,869**	3,159
Retirement benefit scheme contributions	**13**	7
Share-based payments	**463**	663
	5,250	5,927

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

Their emoluments were within the bands:

	2018	2017
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	**–**	1
HK$7,000,001 – HK$7,500,000	**–**	1
HK$8,000,001 – HK$8,500,000	**1**	–
HK$8,500,001 – HK$9,000,000	**1**	–
HK$9,500,001 – HK$10,000,000	**–**	1
HK$10,000,001 – HK$10,500,000	**–**	1
HK$12,500,001 – HK$13,000,000	**1**	–
HK$15,000,001 – HK$15,500,000	**–**	1

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 2018 and 2017.

14. DIVIDEND

	2018	2017
	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 2017 – 15.0 HK cents per share (2017: final dividend paid in respect of the year ended 31 December 2016 – 15.0 HK cents per share)	**186,143**	197,031
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2017: 15.0 HK cents) per share	**196,163**	179,529

During the current year, a final dividend of 15.0 HK cents (2017: 15.0 HK cents) per ordinary share in an aggregate amount of RMB186,143,000 (2017: RMB197,031,000) with scrip alternatives in respect of the year ended 31 December 2017 (2017: 31 December 2016) was approved at the annual general meeting of the Company held on 23 May 2018 (2017: 24 May 2017).

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

	Year ended 31.12.2017	Year ended 31.12.2016
	RMB'000	*RMB'000*
Dividends:		
Cash	**146,860**	143,323
Ordinary share alternative	**39,283**	53,708
	186,143	197,031

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2018 of 15.0 HK cents (2017: 15.0 HK cents) per ordinary share in an aggregate amount of RMB196,163,000 (2017: RMB179,529,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. DIVIDEND – *CONTINUED*

The dividend proposed for the year ended 31 December 2018 and the dividend paid for financial year ended 31 December 2017 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.

15. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company		
Earnings for the purpose of basic and diluted earnings per share	**263,663**	287,363

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,479,486**	1,478,551
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**2,220**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,481,706**	1,478,551

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 31.

16. 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 2017	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
Additions	127	114	54,348	26,026	2,888	508,566	592,069
Reclassifications	26,443	–	427,576	1,350	–	(455,369)	–
Disposals	(56,787)	–	(269,064)	(970)	(290)	–	(327,111)
At 31 December 2018	**2,245,054**	**3,317**	**5,348,632**	**178,997**	**57,564**	**306,985**	**8,140,549**
DEPRECIATION							
At 1 January 2017	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
Provided for the year	113,292	104	389,002	16,954	3,089	–	522,441
Eliminated on disposals	(46,308)	–	(236,783)	(769)	(275)	–	(284,135)
At 31 December 2018	**822,786**	**1,049**	**3,311,547**	**115,267**	**45,938**	**–**	**4,296,587**
CARRYING VALUES							
At 31 December 2018	**1,422,268**	**2,268**	**2,037,085**	**63,730**	**11,626**	**306,985**	**3,843,962**
At 31 December 2017	1,519,469	2,258	1,976,444	53,509	11,842	253,788	3,817,310

16. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Construction in progress as at 31 December 2018 and 31 December 2017 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 RMB531,633,000 as at 31 December 2018 (2017: RMB504,343,000), are still in the process of application of title certificates.

As at 31 December 2018, the Group's certain buildings with carrying value of approximately RMB45,512,000 was pledged as security for the Group's banking facilities (Note 28).

17. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

	RMB'000
At 1 January 2017	282,157
Additions	74,568
Charge to profit or loss	(7,020)
At 31 December 2017	349,705
Additions	9,541
Charge to profit or loss	(7,223)
At 31 December 2018	**352,023**

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

	2018	2017
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current assets	**344,708**	342,575
Current assets	**7,315**	7,130
	352,023	349,705
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long lease – The PRC *(Note a)*	**10,676**	10,867
Freehold – Thailand *(Note b)*	**66,587**	66,295
	77,263	77,162
Medium-term lease – The PRC *(Note a)*	**274,760**	272,543
	352,023	349,705

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, Shangdong Xingda and Xingda Steel Cord (Thailand) Company Limited acquired the land use rights in Shangdong 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 establish new facilities on these lands, which are to be used for manufacturing of radial tire cords, bead wires and other wires.

18. INVESTMENT PROPERTIES

	Completed investment properties
	RMB'000
FAIR VALUE	
At 1 January 2017	140,190
Net increase in fair value recognised in profit or loss	8,350
At 31 December 2017	148,540
Net increase in fair value recognised in profit or loss	5,420
At 31 December 2018	**153,960**

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 2018 and 2017 have been arrived at on the basis of a valuation carried out on the respective dates by Cushman & Wakefiled 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.

18. INVESTMENT PROPERTIES – *CONTINUED*

The key inputs used in valuing the investment properties were the market yield of 5% (2017: 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 2018 and 2017 are as follows:

	Level 3	
	2018	2017
	RMB'000	*RMB'000*
Office premises located in Shanghai	**153,960**	148,540

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

19. DEFERRED TAXATION

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

	2018	2017
	RMB'000	*RMB'000*
Deferred tax assets	**17,321**	15,628
Deferred tax liabilities	**(12,327)**	(11,436)
	4,994	4,192

19. 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 credit losses	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 2017	(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)
Charge (credit) to profit or loss	1,413	(3,107)	1,355	(145)	(318)	(802)
At 31 December 2018	**(1,025)**	**(16,296)**	**8,665**	**3,896**	**(234)**	**(4,994)**

At the end of the reporting period, the Group has deductible temporary difference of approximately RMB116,358,000 (2017: RMB105,070,000) in relation to the excess of accounting depreciation over tax depreciation and allowance for credit losses available for offset against future taxable profits. Deferred tax assets have been recognised in respect of approximately RMB6,833,000 (2017: RMB16,256,000) and RMB108,640,000 (2017: RMB87,929,000) respectively of such deductible temporary difference in relation to the excess of accounting depreciation over tax appreciation and allowance for credit losses. At the end of the reporting period, the Group has deductible temporary differences of RMB885,000 (2017: 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.

20. PREPAYMENTS

The amounts represents the prepayment of road maintenance and management fee of RMB32,963,000 (2017: RMB35,963,000) for a period of 10.99 (2017: 11.99) years. As at 31 December 2018, an amount of RMB3,000,000 (2017: 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 while the remaining RMB29,963,000 (2017: RMB32,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

21. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**429,584**	451,684
Work in progress	**100,167**	90,010
Finished goods	**150,160**	182,864
	679,911	724,558

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	*RMB'000*
Listed securities held for trading:		
– Equity securities listed in Hong Kong *(Note)*	**60,249**	–

Note: The fair value measurement of such investments are classified as Level 1 fair value measurement which are based on the quoted price from active markets. For the year ended 31 December 2018, the Group has recognised a fair value loss of RMB2,533,000 in respect of that investments (2017: Nil).

23. TRADE, BILL AND OTHER RECEIVABLES

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

The Group accepts bill from various local customers as settlement when the trade receivables fall due. Before accepting the bill, the Group would confirm with the relevant banks on the validity of the bill. It is the Group's practice to utilise bill 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.

	2018	2017
	RMB'000	*RMB'000*
Trade receivables – goods	**2,795,407**	2,503,530
Less: Allowance for credit losses	**(110,046)**	(82,288)
	2,685,361	2,421,242
Bill receivables	**2,627,955**	2,928,758
	5,313,316	5,350,000
Advances to raw material suppliers	**25,697**	8,567
Prepayment for spools	**31,189**	15,130
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**82,002**	45,780
Other receivables and prepayments	**48,163**	34,277
Less: Allowance for credit losses on other receivables	**(5,641)**	(5,641)
	181,410	98,113
	5,494,726	5,448,113

23. TRADE, BILL AND OTHER RECEIVABLES – *CONTINUED*

The following is an aged analysis of trade and bill receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,899,567**	1,987,063
91 – 120 days	**278,767**	241,601
121 – 180 days	**329,103**	141,125
181 – 360 days	**177,924**	49,297
Over 360 days	**–**	2,156
	2,685,361	2,421,242
Bill receivables *(see Note (a))*		
0 – 90 days	**301,037**	199,392
91 – 180 days	**860,253**	1,077,549
181 – 360 days	**1,297,774**	1,468,549
Over 360 days	**168,891**	183,268
	2,627,955	2,928,758

23. TRADE, BILL AND OTHER RECEIVABLES – *CONTINUED*

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

	2018	**Equivalent to RMB**	2017	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
United States Dollar ("USD")	**94,401**	**647,893**	70,097	458,553
EUROS ("EUR")	**14,968**	**117,458**	10,220	79,822

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.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB617,073,000 which are past due as at the reporting date. Out of the past due balances, RMB507,027,000 has been past due 120 days or more and is not considered as in default as there has not been a significant change in credit quality and the amount still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Movements in the allowance for credit losses on trade receivables for the year ended 31 December 2017 are as follows:

	2017
	RMB'000
1 January	67,805
Impairment loss recognised on receivables	15,939
Amounts written off as uncollectible	(263)
Amounts recovered during the year	(1,193)
31 December	82,288

23. TRADE, BILL AND OTHER RECEIVABLES – *CONTINUED*

Movements in the allowance for credit losses on other receivables for the year ended 31 December 2017 are as follows:

	2017
	RMB'000
1 January and 31 December	5,641

As at 31 December 2017, the Group reviewed all trade receivables overdue more than one year for allowance for credit losses, amounting to approximately RMB84,444,000 before provision of allowance for credit losses of RMB82,288,000 because historical experience showed that receivables that were past due beyond one year generally have recoverability problems. The Group reviewed the recoverability of long aged receivables on a case by case basis. Trade receivables were provided for based on estimated irrecoverable amounts of discounted cash flow, determined by reference to past default experience. Other receivables were provided for based on estimated irrecoverable amount of discounted cash flow.

As at 31 December 2017, in order to minimise the credit risk, management continuously monitor the level of exposure to ensure that follow-up action and/or corrective actions were taken promptly to lower the risk exposure or to recover overdue balances. More bill were used to settle the accounts receivables and the bill were guaranteed by banks. Credit risk on bill receivables was limited because the bill were guaranteed by reputable banks in the PRC. Accordingly, the directors believe that adequate allowance for credit losses had been made during the year ended 31 December 2017.

As at 31 December 2017, included in the Group's trade receivables were debtors with aggregate carrying amount of RMB192,578,000 which were past due as at the reporting date for which the Group has not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable based on historical experience. The Group did not hold any collateral over these balances. The average age of these receivables were 186 days at 31 December 2017.

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

	2017
	RMB'000
121-180 days	141,125
181-360 days	49,297
Over 360 days	2,156
	192,578

23. TRADE, BILL AND OTHER RECEIVABLES – *CONTINUED*

Details of expected credit losses assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 37.

Note (a): TRANSFERS OF FINANCIAL ASSETS

The followings were the Group's financial assets as at 31 December 2018 and 2017 that were transferred to suppliers by endorsing bill receivables on a full recourse basis. There is no restriction on the use of the bill. 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 2018

	Bill receivables endorsed to suppliers with full recourse
	RMB'000
Carrying amount of transferred assets	**1,424,405**
Carrying amount of associated liabilities	
– Trade payables	**1,420,865**
– Payables for purchase of property, plant and equipment	**3,540**
Net 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	–

24. 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% (2017: 0.01% to 1.30%) per annum.

Pledged bank deposits amounted to RMB52,000,000 (2017: RMB68,000,000) 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 (2017: RMB1,000,000,000) in banks which are carried fixed interest rate of 3.58%, 3.68%, 3.69% and 3.71% per annum (2017: 3.58%, 3.68%, 3.69% and 3.71% per annum) with maturity of four months to two years (2017: sixteen months to three years).

The Group's fixed bank deposits with more than three months to maturity when placed are classified as follows:

	2018	2017
	RMB'000	*RMB'000*
Non-current	**900,000**	1,000,000
Current	**100,000**	–
	1,000,000	1,000,000

The Group's bank balances and cash, pledged bank deposits and fixed bank deposits with more than three months to maturity when placed that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2018	**Equivalent to RMB**	2017	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
Hong Kong dollars ("HKD")	**3,608**	**3,161**	49,204	41,218
USD	**46,003**	**315,728**	71,630	468,043
EUR	**972**	**7,627**	2,758	21,523
Thai Baht ("THB")	**36,320**	**7,663**	1,566	313

25. TRADE, BILL AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**2,372,995**	2,779,281
Bill payables	**690,000**	340,000
	3,062,995	3,119,281
Value-added tax payables and other tax payables	**56,356**	60,425
Accrued staff costs and pension	**223,943**	210,197
Payables for purchase of property, plant and equipment	**391,279**	442,951
Accrued interest expense	**3,146**	1,127
Accrued electricity charges	**51,962**	30,350
Others	**39,399**	60,853
	766,085	805,903
	3,829,080	3,925,184

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

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**1,391,144**	1,327,866
91 – 180 days	**577,156**	1,039,377
181 – 360 days	**308,100**	331,298
Over 360 days	**96,595**	80,740
	2,372,995	2,779,281
Bill payables		
91 – 180 days	**630,296**	–
181 – 360 days	**59,704**	340,000
	690,000	340,000

25. TRADE, BILL AND OTHER PAYABLES – *CONTINUED*

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.

26. CONTRACT LIABILITIES

	31 December 2018 *RMB'000*	1 January 2018* *RMB'000*
Sales of radial tire cords	**31,845**	4,528

* The amount in this column is after the adjustment from the application of IFRS 15.

The amount of RMB4,528,000 as at 1 January 2018 had been recognised as the Group's revenue during the year ended 31 December 2018.

The amount represents the trade deposits received from customers, which will be recognised as the Group's revenue when the control of the goods transferred to customers. The amounts are classified as current liabilities as they are expected to be recognised as revenue within twelve months after the reporting date.

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

	2018	2017
	RMB'000	*RMB'000*
Bank loans	**1,241,943**	950,530
Other loans	**52,500**	2,500
	1,294,443	953,030
Secured *(Note)*	**291,637**	400,530
Unsecured	**1,002,806**	552,500
	1,294,443	953,030

The Group's borrowings are repayable as follows:

	2018	2017
	RMB'000	*RMB'000*
Carrying amounts repayable (based on scheduled repayment terms)		
Within one year	**1,144,443**	953,030
More than two years, but not more than five years	**150,000**	–
	1,294,443	953,030
Less: Amounts due shown under current liabilities	**(1,144,443)**	(953,030)
	150,000	–

Note: These borrowings are guaranteed by the corporate guarantee in both years and secured by certain property, plant and equipment of which the details are set out in Note 16.

28. BORROWINGS – *CONTINUED*

During the year ended 31 December 2018, the Group borrowed a new other loan of RMB50,000,000 (2017: RMB2,500,000) from a financial institute in Xinghua City, the PRC, an independent third party. The other loan of RMB2,500,000 borrowed in 2017 was renewed by the lender and the maturity date was extended to December 2019. The other loans are unsecured, carried interest at a fixed monthly rate of 0.417% and 1.0% (2017: 0.417%) and are repayable within one year. The proceeds were used as working capital.

During the year, the Group obtained new bank borrowings amounting to approximately RMB1,551,902,000 (2017: RMB724,886,000). The bank borrowings bear interest at market rates. The proceeds were used as daily working capital.

	2018	2017
	RMB'000	*RMB'000*
Borrowings comprise:		
Fixed-rate borrowings	**1,172,137**	869,258
Variable-rate borrowings	**122,306**	83,772
	1,294,443	953,030

The variable-rate bank borrowings which carried interest at 2.2% (2017: 2.2%) above 1-month Hong Kong and Interbank Offered Rate and rates determined by The People's Bank of China.

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

	2018	2017
Effective interest rates:		
Fixed-rate borrowings	**2.92% – 4.79%**	2.92% – 4.35%
Variable-rate borrowings	**3.21% – 4.41%**	2.82% – 3.92%

28. BORROWINGS – *CONTINUED*

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

	2018	2017
	RMB'000	*RMB'000*
HKD	**87,620**	83,772
USD	**34,316**	–

29. GOVERNMENT GRANTS

The amounts in 2017 represented the government grants received in prior years to be used for a technological advancement project which was expected to be completed in 2018. Therefore, the amount was recorded as current liabilities in 2017. The project was completed in 2018 upon the Group obtained an approval by the Technology Bureau of Taizhou, the PRC and the amount is credited to profit or loss during the year ended 31 December 2018.

30. SHARE CAPITAL

	Number of shares		**Share capital**	
	2018	2017	**2018**	2017
	'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	**1,486,396**	1,468,447	**147,923**	146,365
Issuance of scrip shares *(note)*	**19,829**	23,347	**1,657**	2,012
Repurchase of shares	**(13,694)**	(5,398)	**(1,192)**	(454)
At end of year	**1,492,531**	1,486,396	**148,388**	147,923

Note: During the year ended 31 December 2018, the Company issued and allotted 19,829,331 new ordinary shares of HK$0.1 each as scrip alternatives for the final dividend for the year ended 31 December 2017, with RMB1,657,000 and RMB37,626,000 credited to share capital and share premium, respectively. Details are set out in note 14.

30. SHARE CAPITAL – *CONTINUED*

During the year ended 31 December 2018, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid	Aggregate consideration paid equivalent to
	'000	*HK$*	*HK$*	*HK$'000*	*RMB'000*
January 2018	1,844	3.05	2.82	5,274	4,648
July 2018	11,850	2.52	2.17	27,570	24,298
	13,694			32,844	28,946

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 2018 and 2017.

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 have been purchased from the open market pursuant to the Scheme during the years ended 31 December 2018 and 2017. 3,333,332 (2017: 6,666,668) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:

2018

Categories of awardees	Date of grant *(Note i)*	Fair value per share *HK$* *(Note ii)*	Number of awarded shares: Balance as at 1 January 2018	Vested during the year	Granted during the year	Balance as at 31 December 2018	Vesting period
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	2.646	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
			13,333,332	(3,333,332)	–	10,000,000	

31. SHARE-AWARD SCHEME – *CONTINUED*

2017

Categories of awardees	Date of grant *(Note i)*	Fair value per share *HK$* *(Note ii)*	Number of awarded shares: 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*

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.

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 3,333,332 shares for the years 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 RMB5,105,000 for the year ended 31 December 2018 (2017: RMB7,126,000) in relation to shares granted under the Scheme by the Company.

32. OPERATING LEASES

The Group as lessee

	2018	2017
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases for premises during the year	**290**	290

	2018	2017
	RMB'000	*RMB'000*
Within one year	**200**	269
In the second and fifth year inclusive	**67**	267
	267	536

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 RMB7,312,000 (2017: RMB6,152,000). The properties are expected to generate rental yields of 5.41% (2017: 4.12%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**8,334**	4,189
In the second to fifth year inclusive	**14,865**	9,511
	23,199	13,700

33. CAPITAL COMMITMENTS

	2018	2017
	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	**400,855**	230,035

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% (2017: 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 RMB61,614,000 (2017: RMB42,157,000) for the year ended 31 December 2018.

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*	**2018**	2017
			RMB'000	*RMB'000*
Xingda Xiu Yuan *(Note)*	Services fee for hotel and catering services	*(a)*	**5,284**	5,896

Note: 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 76 and note 27.

Compensation of key management personnel

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

	2018	2017
	RMB'000	*RMB'000*
Short-term benefits	**40,127**	42,824
Post-employment benefits	**76**	67
Share-based payments	**4,313**	5,995
	44,516	48,886

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. 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.

As at 31 December 2018

	Bank loans	**Other loans**	**Accrued interest expenses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2018	950,530	2,500	1,127	954,157
Financing cash flows	291,413	50,000	(51,809)	289,604
Interest expenses	–	–	44,974	44,974
Interest capitalised	–	–	8,854	8,854
As at 31 December 2018	**1,241,943**	**52,500**	**3,146**	**1,297,589**

As at 31 December 2017

	Bank loans	Other loans	Accrued interest expense	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 expenses	–	–	38,094	38,094
As at 31 December 2017	950,530	2,500	1,127	954,157

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018	2017
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost	**7,651,173**	–
Financial assets at FVTPL	**60,249**	–
Loans and receivables at amortised cost (including cash and cash equivalents)	**–**	7,220,765
Financial liabilities		
Amortised cost	**4,750,337**	4,519,239

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

37. 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 29.1% (2017: 26.4%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst 0.7% (2017: 1.4%) of costs is denominated in currencies other than the functional currency of the group entity.

Certain trade, bill and other receivables, bank balances, trade and other payables of the Group are denominated in USD, HKD, EUR and 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% (2017: 3%) increase and decrease in RMB against the relevant foreign currencies. 3% (2017: 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 ended for a 3% (2017: 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% (2017: 3%) and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB20,909,000 (2017: RMB24,441,000), RMB1,900,000 (2017: RMB1,182,000), RMB2,814,000 (2017: RMB2,863,000) and RMB172,000 (2017: RMB251,000), 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.

37. 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 24 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 (2017: 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 (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would decrease/increase by approximately RMB612,000 (2017: decrease/increase by approximately RMB419,000).

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.

37. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Market risk – Continued

(iii) Other price risk

The Group is exposed to price risk through its financial assets at FVTPL (2017: Nil). The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

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

If the prices of the respective financial assets at FVTPL (2017: Nil) has been 5% higher/lower, other gains for the year ended 31 December 2018 would increase/decrease by RMB3,012,000 as a result of the changes in fair value of financial assets at FVTPL.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of the Group's price risk as it only reflects the impact of price changes to financial assets at FVTPL held at the end of each reporting period but not the exposure during the year ended 31 December 2018.

Credit risk and impairment assessment

As at 31 December 2018 and 2017, 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.

Trade receivables arising from contracts with customers

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 performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bill receivables arising from contracts with customers

The credit risk on bill receivables is minimal since the settlement parties are reputable banks with high credit ratings assigned by international credit-rating agencies.

37. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – Continued

Other receivables

The Group has taken into account the financial position of the counterparties, based on the track record of regular settlements, the amounts are expected to be recoverable and the expected credit losses on other receivables are considered to be insignificant.

Fixed bank deposits with more than three months to maturity when placed, pledged bank deposits and bank balances.

The Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on fixed bank deposits with more than three months to maturity when placed, pledged bank deposits and bank balances based on 12m ECL.

The credit risk on liquid funds is 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 69% (31 December 2017: 78%) of the total trade receivables as at 31 December 2018. The Group does not have other significant concentration of credit risk as the trade and other receivables consist of a large number of debtors.

37. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – Continued

Fixed bank deposits with more than three months to maturity when placed, pledged bank deposits and bank balances – *Continued*

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – Continued

Fixed bank deposits with more than three months to maturity when placed, pledged bank deposits and bank balances – *Continued*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2018	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount
					RMB'000
Financial assets at amortised costs					
Trade receivables	*23*	N/A	*(note)*	Lifetime ECL not credit-impaired	2,713,119
			Loss	Lifetime ECL – credit impaired	82,288
					2,795,407
Bill receivable	*23*	N/A	Low risk	Lifetime ECL	2,627,955
Other receivables	*23*	N/A	Low risk	12-month ECL	181,410
Pledged bank deposits	*24*	AA+	N/A	12-month ECL	52,000
Bank balances	*24*	AA+	N/A	12-month ECL	1,103,397
Fixed bank deposits with more than three months to maturity when placed	*24*	AA+	N/A	12-month ECL	1,000,000
					7,760,169

Note:

For trade receivables for sales of radial tire cords, bead wires and other wires, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers in relation to its sales of radial tire cords, bead wires and other wires because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Credit impaired debtors with gross carrying amount of RMB25,534,000 as at 31 December 2018 were assessed individually.

37. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – Continued

Gross carrying amount

	Average loss rate	Trade receivables *RMB'000*
Low risk	0.800%	2,206,092
Watch list	1.994%	507,027
		2,713,119

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2018, the Group provided an impairment allowance of RMB15,112,000 for trade receivables, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As at 31 December 2017 under IAS 39	–	82,288	82,288
Adjustment upon application of IFRS 9	12,646	–	12,646
As at 1 January 2018 – restated	12,646	82,288	94,934
Impairment loss recognised	19,024	–	19,024
Impairment loss reversed	(3,912)	–	(3,912)
As at 31 December 2018	**27,758**	**82,288**	**110,046**

37. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other 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.

37. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Liquidity risk – Continued

Liquidity risk tables – *Continued*

At 31 December 2018

	Weighted average interest rate	Less than 30 days	31 – 60 days	61 – 90 days	91 – 365 days	2-5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade, bill and other payables	–	483,449	450,439	457,256	2,063,130	–	3,454,274	3,454,274
Amount due to a related company	–	1,620	–	–	–	–	1,620	1,620
Borrowings								
– variable rate	3.5	–	–	–	125,388	–	125,388	122,306
– fixed rate	4.4	32,117	25,183	30,974	969,943	154,950	1,213,167	1,172,137
		517,186	475,622	488,230	3,158,461	154,950	4,794,449	4,750,337

At 31 December 2017

	Weighted average interest rate	Less than 30 days	31 – 60 days	61 – 90 days	91 – 365 days	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade, bill and other payables	–	1,080,321	337,590	352,906	1,791,415	3,562,232	3,562,232
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

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.

37. 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.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets

	Fair value as at				
	31 December 2018	31 December 2017	**Fair value hierarchy**	**Valuation technique and key inputs**	**Relationship of unobservable inputs to fair value**
	RMB'000	*RMB'000*			
Financial assets at FVTPL (2017: Nil)	**60,249 (Note 22)**	N/A	Level 1	Quoted price in active market.	N/A

Note: There were no transfers between level 1 and level 2 during the year ended 31 December 2018.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of the Company's principal subsidiaries as at 31 December 2018 and 2017 are disclosed as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid up share capital/registered capital		Attributable to equity interest held by the Group		Principal activities
		2018	2017	**2018**	2017	
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**	RMB1,500,000,000	**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 *(note b)*	Thailand	**THB2,000,000**	THB2,000,000	**100%**	100%	Not yet commence business
Xingda Europe S.A.R.L. *(note b)*	Luxembourg	**EUR245,400**	N/A	**100%**	N/A	Promotion of business in Europe

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

(i) Details of the Company's principal subsidiaries as at 31 December 2018 and 2017 are disclosed as follows: – *Continued*

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

Xingda Europe S.A.R.L. is newly set up by the Company during the year ended 31 December 2018.

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.

(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 (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				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%	**95,104**	76,088	**1,934,076**	1,882,529
Shandong Xingda 山東興達鋼簾線有限公司	PRC	**25.51%**	25.51%	**13,293**	12,446	**152,950**	167,974
Individually immaterial subsidiaries with non-controlling interests				**(205)**	2,387	**10,206**	15,003
				108,192	90,921	**2,097,232**	2,065,506

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:– *Continued*

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

	Shandong Xingda		**Jiangsu Xingda**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**639,194**	727,928	**6,456,773**	6,122,313
Non-current assets	**730,154**	763,523	**4,179,013**	4,248,238
Current liabilities	**(769,778)**	(832,989)	**(4,136,227)**	(4,190,218)
Non-current liabilities	**–**	–	**(150,000)**	–
Equity attributable to owners of the Company	**(446,620)**	(490,488)	**(4,415,483)**	(4,297,804)
Non-controlling interests	**(152,950)**	(167,974)	**(1,934,076)**	(1,882,529)

	Shandong Xingda		**Jiangsu Xingda**	
	Year ended	Year ended	**Year ended**	Year ended
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**822,398**	723,446	**7,706,246**	7,034,063
Expenses	**(770,291)**	(674,659)	**(7,394,018)**	(6,784,268)
Profit and total comprehensive income for the year	**52,107**	48,787	**312,228**	249,795
Profit and total comprehensive income attributable to owners of the Company	**38,814**	36,341	**217,124**	173,707
Profit and total comprehensive income attributable to the non-controlling interests	**13,293**	12,446	**95,104**	76,088
Dividends paid to non-controlling interests	**28,317**	–	**43,557**	45,691
Net cash inflow from operating activities	**139,807**	45,831	**599,954**	774,976
Net cash outflow from investing activities	**(98,968)**	(85,979)	**(410,851)**	(343,408)
Net cash (outflow) inflow from financing activities	**(46,407)**	50,684	**159,219**	(192,273)
Net cash (outflow) inflow	**(5,568)**	10,536	**348,322**	239,295

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:

	2018	2017
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**525,731**	495,051
Amount due from a subsidiary	**698,529**	664,788
	1,224,260	1,159,839
CURRENT ASSETS		
Financial assets at fair value through profit or loss	**60,249**	–
Other receivables	**91**	127
Bank balances and cash	**4,724**	41,019
	65,064	41,146
CURRENT LIABILITIES		
Other payables	**32,356**	4,401
Bank borrowings	**122,306**	83,772
	154,662	88,173
NET CURRENT LIABILITIES	**(89,598)**	(47,027)
NET ASSETS	**1,134,662**	1,112,812
CAPITAL AND RESERVES		
Share capital *(note 30)*	**148,388**	147,923
Reserves	**986,274**	964,889
TOTAL EQUITY	**1,134,662**	1,112,812

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

Movement in share capital and reserves

	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Retained 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 2017	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 14)*	–	(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
Profit and total comprehensive income for the year	–	–	–	–	192,551	–	–	192,551
Issuance of scrip shares	1,657	37,626	–	–	–	–	–	39,283
Dividend recognised as distribution *(note 14)*	–	(186,143)	–	–	–	–	–	(186,143)
Repurchase of ordinary shares	(1,192)	(27,754)	–	1,192	(1,192)	–	–	(28,946)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	5,105	5,105
Shares vested under the share-award scheme	–	–	–	–	1,054	8,021	(9,075)	–
At 31 December 2018	**148,388**	**88,531**	**266,960**	**8,342**	**626,501**	**(12,051)**	**7,991**	**1,134,662**

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

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	5,594,925	4,736,889	5,469,176	6,886,914	**7,558,367**
Cost of sales	(4,321,990)	(3,886,725)	(4,273,864)	(5,609,213)	**(6,235,889)**
Gross profit	1,272,935	850,164	1,195,312	1,277,701	**1,322,478**
Other income	35,845	22,453	36,170	97,550	**136,708**
Gain on disposal of available-for-sale investment	–	131,644	–	–	**–**
Government grants	35,871	29,977	31,333	29,638	**13,798**
Distribution and selling expenses	(362,323)	(376,432)	(443,532)	(475,918)	**(512,584)**
Administrative expenses	(272,090)	(280,902)	(303,896)	(319,117)	**(361,892)**
Other gains and losses, net	(29,347)	(4,877)	34,902	(17,116)	**19,425**
Impairment loss recognised on trade and other receivables	–	–	–	(14,746)	**(15,112)**
Research and development expenditure	(57,078)	(44,950)	(61,187)	(58,425)	**(75,250)**
Share of loss of a joint venture	(122)	(11)	–	–	**–**
Finance costs	(48,941)	(34,235)	(21,481)	(38,094)	**(44,974)**
Profit before tax	574,750	292,831	467,621	481,473	**482,597**
Income tax expense	(111,891)	(53,109)	(72,899)	(103,189)	**(110,742)**
Profit for the year	462,859	239,722	394,722	378,284	**371,855**
Profit attributable to:					
Owners of the Company	327,788	173,754	277,792	287,363	**263,663**
Non-controlling interests	135,071	65,968	116,930	90,921	**108,192**
	462,859	239,722	394,722	378,284	**371,855**

FINANCIAL SUMMARY

	As at 31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	10,125,680	9,484,286	10,872,892	12,361,802	**12,788,562**
Total liabilities	(3,161,000)	(2,321,088)	(3,624,317)	(4,928,969)	**(5,240,107)**
	6,964,680	7,163,198	7,248,575	7,432,833	**7,548,455**
Equity attributable to owners of the Company	5,180,740	5,124,030	5,228,300	5,367,327	**5,451,223**
Non-controlling interests	1,783,940	2,039,168	2,020,275	2,065,506	**2,097,232**
	6,964,680	7,163,198	7,248,575	7,432,833	**7,548,455**