



**GITI TIRE PTE. LTD.
AND ITS SUBSIDIARIES
(Registration No. 199304649R)**

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2015

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

C O N T E N T S

	<u>PAGE</u>
Directors' statement	1 - 3
Independent auditors' report	4 - 5
Statements of financial position	6 - 7
Consolidated statement of profit or loss and other comprehensive income	8
Statements of changes in equity	9 - 10
Consolidated statement of cash flows	11 - 12
Notes to financial statements	13 - 96

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 6 to 96 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Michelle Liem Mei Fung
Lei Huai Chin
Tan Enk Ee

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of director and company in which interests are held	Shareholdings registered in name of director	
	At beginning of year	At end of year
Ultimate holding company - <u>GITI Holdings Ltd.</u>	<u>Ordinary shares</u>	
Michelle Liem Mei Fung	25,500	25,500
Tan Enk Ee	12,000	12,000

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

By virtue of Section 7 of the Singapore Companies Act, Ms Michelle Liem Mei Fung and Mr Tan Enk Ee are deemed to have interest in all the related companies of the ultimate holding company.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

5 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....
Michelle Liem Mei Fung



.....
Lei Huai Chin

Date: 12 MAY 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GITI TIRE PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Giti Tire Pte. Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 96.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

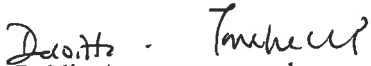
**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
GITI TIRE PTE. LTD.**

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.


Public Accountants and
Chartered Accountants
Singapore

May 12, 2016

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		RMB'million	RMB'million	RMB'million	RMB'million
ASSETS					
Current assets					
Bank balances and cash	8	1,223	1,545	4	6
Restricted bank deposits	9	727	535	127	92
Trade and other receivables	10	4,117	3,864	4	3
Prepaid lease payments	11	44	46	-	-
Amounts due from subsidiaries	5	-	-	1,139	940
Amount due from immediate holding company	7	395	394	395	394
Amounts due from related companies/parties	7	389	306	-	-
Inventories	12	3,475	4,063	-	-
Available-for-sale investments	19	169	45	-	-
Held for trading investment	20	-	31	-	-
Derivative financial instruments	26	-	12	-	-
Total current assets		<u>10,539</u>	<u>10,841</u>	<u>1,669</u>	<u>1,435</u>
Non-current assets					
Property, plant and equipment	13	8,680	8,043	3	3
Investment properties	14	17	18	-	-
Prepaid lease payments	11	1,088	1,152	-	-
Goodwill	15	-	2	-	-
Intangible assets	16	60	59	4	4
Investments in subsidiaries	17	-	-	3,413	3,407
Interest in an associate	18	233	260	-	-
Available-for-sale investments	19	144	196	-	-
Deferred tax assets	23	426	451	-	-
Amount due from immediate holding company	7	694	620	694	620
Deposits for purchase of property, plant and equipment		241	212	-	-
Other receivables - non-current		13	2	-	-
Amounts due from related party	7	<u>648</u>	<u>662</u>	<u>-</u>	<u>-</u>
Total non-current assets		<u>12,244</u>	<u>11,677</u>	<u>4,114</u>	<u>4,034</u>
Total assets		<u>22,783</u>	<u>22,518</u>	<u>5,783</u>	<u>5,469</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (cont'd)
December 31, 2015

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		RMB'million	RMB'million	RMB'million	RMB'million
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	21	5,319	5,727	18	30
Derivative financial instruments	26	8	-	-	-
Amounts due to subsidiaries	5	-	-	2,323	1,753
Amounts due to related companies/parties	7	149	135	-	-
Tax payable		69	109	1	2
Borrowings - due within one year	22	<u>4,347</u>	<u>3,153</u>	<u>970</u>	<u>396</u>
Total current liabilities		<u>9,892</u>	<u>9,124</u>	<u>3,312</u>	<u>2,181</u>
Non-current liabilities					
Trade and other payables	21	343	171	-	-
Borrowings - due after one year	22	5,696	6,555	456	1,371
Retirement benefit obligations	24	711	613	-	-
Deferred tax liabilities	23	<u>137</u>	<u>110</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>6,887</u>	<u>7,449</u>	<u>456</u>	<u>1,371</u>
Capital, reserves and non-controlling interests					
Share capital	25	1,758	1,758	1,758	1,758
Reserves		<u>2,206</u>	<u>2,185</u>	<u>257</u>	<u>159</u>
Equity attributable to owner of the Company		3,964	3,943	2,015	1,917
Non-controlling interests		<u>2,040</u>	<u>2,002</u>	<u>-</u>	<u>-</u>
Total equity		<u>6,004</u>	<u>5,945</u>	<u>2,015</u>	<u>1,917</u>
Total liabilities and equity		<u>22,783</u>	<u>22,518</u>	<u>5,783</u>	<u>5,469</u>

See accompanying notes to financial statements.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
Year ended December 31, 2015**

	<u>Note</u>	<u>Group</u> <u>2015</u> RMB'million	<u>2014</u> RMB'million
Revenue	27	19,467	21,344
Cost of sales		(14,066)	(15,772)
Gross profit		5,401	5,572
Other income	28	33	141
Selling and distribution expenses		(2,877)	(2,547)
Administrative expenses		(1,349)	(1,231)
Share of results of an associate	18	(42)	(42)
Finance costs	29	(826)	(881)
Profit before tax		340	1,012
Income tax expense	30	(263)	(308)
Profit for the year	31	77	704
Other comprehensive income, net of income tax:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Actuarial loss - net of tax benefit	24	(12)	(64)
Share in other comprehensive income of associate		(1)	(2)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		(82)	(31)
Fair value loss on available-for-sale investments		8	(2)
Share in other comprehensive income of associate		28	6
Total comprehensive income for the year		<u>18</u>	<u>611</u>
Profit for the year attributable to:			
Owner of the Company		56	532
Non-controlling interests		<u>21</u>	<u>172</u>
		<u>77</u>	<u>704</u>
Total comprehensive income attributable to:			
Owner of the Company		21	486
Non-controlling interests		<u>(3)</u>	<u>125</u>
		<u>18</u>	<u>611</u>

See accompanying notes to financial statements.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2015

	Attributable to owner of the Company							Non-controlling interests		Total
	Share capital	Statutory surplus reserve	Capital reserve	Equity reserve	Retained earnings	Exchange reserve	Subtotal	RMB' million	RMB' million	RMB' million
	RMB' million	RMB' million (Note A)	RMB' million	RMB' million (Note B)	RMB' million	RMB' million (Note C)	RMB' million			
Group										
Balance at January 1, 2014	1,758	570	(90)	(122)	1,985	(573)	3,528	1,934	5,462	
<i>Total comprehensive income for the year</i>										
Profit for the year	-	-	-	-	532	-	532	172	704	
Other comprehensive loss for the year	-	-	(2)	-	(33)	(11)	(46)	(47)	(93)	
Total	-	-	(2)	-	499	(11)	486	125	611	
<i>Transactions with owners, recognised directly in equity</i>										
Transfer from retained earnings to statutory surplus reserve	-	109	-	-	(109)	-	-	-	-	
Effect of disposal of shares in a subsidiary without loss of control	-	-	-	2	-	-	2	6	8	
Dividends (Note 33)	-	-	-	-	(73)	-	(73)	(63)	(136)	
Total	-	109	-	2	(182)	-	(71)	(57)	(128)	
Balance at December 31, 2014	1,758	679	(92)	(120)	2,302	(584)	3,943	2,002	5,945	
<i>Total comprehensive income for the year</i>										
Profit for the year	-	-	-	-	56	-	56	21	77	
Other comprehensive loss for the year	-	-	23	-	(4)	(54)	(35)	(24)	(59)	
Total	-	-	23	-	52	(54)	21	(3)	18	
<i>Transactions with owners, recognised directly in equity</i>										
Transfer from retained earnings to statutory surplus reserve	-	130	-	-	(130)	-	-	-	-	
Dividends	-	-	-	-	-	-	-	(122)	(122)	
Acquisition of subsidiary (Note 34)	-	-	-	-	-	-	-	163	163	
	-	130	-	-	(130)	-	-	41	41	
Balance at December 31, 2015	1,758	809	(69)	(120)	2,224	(638)	3,964	2,040	6,004	

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (cont'd)

Year ended December 31, 2015

Note A:

In accordance with the relevant People's Republic of China ("PRC") laws and regulations, the companies established in the PRC are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under the PRC Generally Accepted Accounting Principles (the "PRC GAAP") to the statutory surplus reserve. Allocation to the statutory surplus reserve shall be approved by the board of directors. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the PRC companies' registered capital. The statutory surplus reserves may be used to make up losses or for conversion into capital. The PRC companies may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory surplus reserves into capital in proportion to their then existing shareholdings. However, when converting the PRC companies' statutory surplus reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

Note B:

The equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

Note C:

The exchange reserve represents exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Renminbi.

<u>Company</u>	<u>Share capital</u> RMB'million	<u>Retained earnings</u> RMB'million	<u>Total</u> RMB'million
Balance at January 1, 2014	1,758	137	1,895
Profit for the year, representing total comprehensive income for the year	-	95	95
<u>Transactions with owners, recognised directly in equity</u>			
Dividends (Note 33)	-	(73)	(73)
Balance at December 31, 2014	1,758	159	1,917
Profit for the year, representing total comprehensive income for the year	-	98	98
Balance at December 31, 2015	<u>1,758</u>	<u>257</u>	<u>2,015</u>

See accompanying notes to financial statements.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2015

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Operating activities		
Profit before tax	340	1,012
Adjustments for:		
Amortisation of intangible assets	20	6
Depreciation of property, plant and equipment	1,013	972
Depreciation of investment properties	2	-
Amortisation of goodwill	2	-
Impairment loss recognised on (reversed):		
Inventories	(1)	44
Trade receivables	6	2
Property, plant and equipment	11	23
Interest expense	826	881
Interest income	(74)	(77)
Dividend income from equity investments	(145)	(7)
Gain on disposal of property, plant and equipment	(4)	(1)
Loss (Gain) from fair value adjustments on		
forward exchange contracts	20	(26)
Release of prepaid lease payments	43	64
Share of results of an associate	42	42
Income from government grants	(1)	(1)
Income from available-for-sale investments	(6)	-
Gain from fair value adjustments on held for trading investment	-	(1)
Provision for post-employment benefits	94	85
Loss from disposal of available-for-sale investments	36	-
Gain from bargain purchase of investment in a subsidiary (Note 34)	(79)	-
Operating cash flows before movements in working capital	2,145	3,018
Inventories	767	(272)
Trade and other receivables	30	288
Amounts due from related companies	10	(4)
Trade and other payables	(528)	42
Amounts due to related companies	15	(13)
Cash generated from operations	2,439	3,059
Income taxes paid	(140)	(436)
Interest paid	(791)	(844)
Payment of post-employment benefits	(37)	(32)
Net cash from operating activities	<u>1,471</u>	<u>1,747</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
Year ended December 31, 2015

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Investing activities		
Payment for acquisition of property, plant and equipment	(1,459)	(1,284)
Deposits for acquisition of property, plant and equipment	(259)	(226)
Deposits for acquisition of land use rights	(48)	-
Acquisition of investment properties	-	(18)
Acquisition of intangible assets	(9)	(25)
Proceeds on disposal of property, plant and equipment	27	42
Acquisition of a subsidiary	(52)	-
Proceeds on disposal of shares in subsidiary	-	8
Placement of deposit for proposed purchase of property	-	(12)
Acquisition of held for trading investment	-	(31)
Proceeds on disposal of held-for-trading investment	31	-
Acquisition of available-for-sale investments	(138)	(57)
Proceeds from sale of available-for-sale investments	18	21
Investment income received from available-for-sale investments	6	-
Prepaid lease payments	(11)	(268)
Dividends received from other equity investments	125	-
Interest received	22	43
Government grants received	77	9
Net cash used in investing activities	<u>(1,670)</u>	<u>(1,798)</u>
Financing activities		
Restricted deposits	(176)	38
New borrowings raised	5,180	6,032
Repayment of borrowings	(5,007)	(6,959)
Proceeds from bonds payable	-	474
Payment of finance lease payables	(11)	-
Payment of issuance cost of bonds payable	-	(10)
Dividends paid	-	(73)
Dividends paid to non-controlling interest	(117)	(62)
Net cash used in financing activities	<u>(131)</u>	<u>(560)</u>
Net decrease in cash and cash equivalents	(330)	(611)
Cash and cash equivalents at beginning of the year	1,545	2,120
Effect of foreign exchange rate changes	8	36
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u>1,223</u>	<u>1,545</u>

See accompanying notes to financial statements.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 GENERAL

The Company (Registration No. 199304649R) is incorporated in the Republic of Singapore with its principal place of business and registered office at 9 Oxley Rise, #01-02 The Oxley, Singapore 238697. The financial statements are expressed in Renminbi ("RMB").

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and associate are disclosed in Notes 17 and Note 18 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2015 were authorised for issue by the Board of Directors on May 12, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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

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 which market participants would take 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 leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments* ²
- FRS 115 *Revenue from Contracts with Customers* ²
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* ¹
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* ¹
- Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosures of Interest in Other Entities*, FRS 28 *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* ¹

¹ Applies to annual periods beginning on or after January 1, 2016, with early application permitted

² Applies to annual periods beginning on or after January 1, 2018, with early application permitted

Consequential amendments were also made to various standards as a result of these new/revised standards.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management is currently evaluating the potential impact of the application of this new FRS.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management is currently evaluating the potential impact of the application of this new FRS.

Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments - An entity's share of OCI of equity-accounted associates and joint-ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

The amendments to FRS 1 are effective for companies with annual periods beginning on or after January 1, 2016, with retrospective application subject to transitional provisions. The management is currently assessing the potential impact of amendments to FRS 1 in the period of initial adoption.

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

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

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

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date when the Company ceases to control the subsidiary.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BUSINESS COMBINATION - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRSs are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments “at fair value through profit or loss”.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets are classified as at FVTPL where the financial asset is held for trading.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of 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.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in "Other Income" line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in reserves is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, and bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 investment have been impacted.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 5 to 160 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated in reserves.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or 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 recognises its retained interest in the asset and an associated liability for amounts 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.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or other financial liabilities.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near future; or
- It is part of an identified portfolio of 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.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "Other Income" line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in Note 26 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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 on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	Shorter of lease term or estimated useful life
Plant and equipment	5 to 20 years
Furniture, fittings and equipment	3 to 10 years
Motor vehicles	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The 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 amounts of the asset and is recognised in profit or loss.

INVESTMENT PROPERTIES - Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any, made in recognition of a decline in value which is other than temporary.

The leasehold properties are depreciated on a straight-line basis over their estimated useful lives of 5 to 10 years.

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 the disposal. 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 profit or loss in the period in which the property is derecognised.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase again.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

PREPAID LEASE PAYMENTS - Payment for obtaining land use rights is accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets acquired separately.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVESTMENT IN ASSOCIATE - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income 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.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. 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.

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

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

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

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "Administrative Expenses". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of 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 not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Renminbi, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of exchange reserve.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash at bank and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is 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 the Group's accounting policies

The following is the critical judgment, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Control over Giti Tire Corporation

Giti Tire Corporation is listed on the Shanghai Stock Exchange. Although the Group has only 44.4% equity interest in Giti Tire Corporation, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Giti Tire Corporation on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The remaining 55.6% of the ordinary shares in Giti Tire Corporation are owned by numerous other shareholders.

Control over PT. Gajah Tunggal Tbk

Note 17 describes that PT. Gajah Tunggal Tbk is a subsidiary of the Group even though the Group has only 49.5% (2014 : 49.5%) equity interest and has only 49.5% (2014 : 49.5%) of the voting rights in PT. Gajah Tunggal Tbk. PT. Gajah Tunggal Tbk is listed on the Jakarta Stock Exchange. The remaining 50.5% (2014 : 50.5%) equity interests are held by numerous other shareholders that are unrelated to the Group.

The directors of the Group assessed whether or not the Group has control over PT. Gajah Tunggal Tbk based on whether the Group has the practical ability to direct the relevant activities of PT. Gajah Tunggal Tbk unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in PT. Gajah Tunggal Tbk and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of PT. Gajah Tunggal Tbk and therefore the Group has control over PT. Gajah Tunggal Tbk.

Control over PT. KMI Wire and Cable Tbk

At December 31, 2014, the Group had only 18.97% equity interest and voting rights in PT. KMI Wire and Cable Tbk. The directors of the Group assessed that the Group had no control and accordingly, the investment was classified as available-for-sale investment.

At December 31, 2015, the Group has 48.83% equity interest and voting rights in PT. KMI Wire and Cable Tbk. The directors of the Group assessed whether or not the Group has control over PT. KMI Wire and Cable Tbk based on whether the Group has the practical ability to direct the relevant activities of PT. KMI Wire and Cable Tbk unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in PT. KMI Wire and Cable Tbk and the relative size of and dispersion of the shareholdings owned by the other shareholders. PT. KMI Wire and Cable Tbk is listed on the Jakarta Stock Exchange. The remaining 51.17% of the equity interests are held by numerous other shareholders that are unrelated to the Group.

After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of PT. KMI Wire and Cable Tbk and therefore the Group has control over PT. KMI Wire and Cable Tbk. Accordingly, the investment is reclassified to investment in subsidiary (Note 34).

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

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 are discussed below.

Useful lives, residual value and impairment of property, plant and equipment

Management determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. Details of the useful lives of the property, plant and equipment, and impairment loss on property, plant and equipment are set out in Notes 2 and 13 respectively.

Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of those investments. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investments and a suitable discount rate in order to calculate present value. The carrying amount of investments in subsidiaries in the Company's financial statements at the end of the reporting period are set out in Note 17 to the financial statements.

Impairment of inventories

Management carries out an inventory review and an aging analysis on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete or slow-moving inventory items identified that are no longer suitable for use in production or trading. The Group is exposed to fluctuations in the prices of the raw materials it requires for the production of the Group's tire products, including natural rubber and synthetic rubber. The Group purchases its raw materials at market prices. Therefore, fluctuations in prices of raw materials required for its production could have a significant effect on the Group's results. The management estimates net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Should there are changes in market conditions of the inventories, additional impairment may be required. Details of the impairment of inventories are set out in Note 12 to the financial statements.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Impairment of trade and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash inflows from the outstanding trade and other receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The movements of the impairment loss recognised and carrying amounts of trade and other receivables are set out in Note 10 to the financial statements.

Income taxes

As at December 31, 2015, deferred tax assets of RMB426 million (2014 : RMB451 million) principally in relation to unused tax losses, other payables and accruals, accelerated accounting depreciation on property, plant and equipment, impairment loss on trade receivables and impairment loss on inventories has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB660 million (2014 : RMB564 million) for the year ended December 31, 2015, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. Details of the deferred tax assets are set out in Note 23 to the financial statements.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period.

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
Financial assets				
Loans and receivables (including cash and cash equivalents)	7,616	7,305	2,359	2,052
Available-for-sale investments	313	241	-	-
Held for trading investment	-	31	-	-
Derivative financial instruments	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Liabilities measured at amortised cost	14,949	15,306	3,767	3,541
Derivative financial instruments	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Financial instruments subjected to offsetting, enforcing master netting arrangements and similar agreements.

Group

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements as at December 31, 2014 and 2015.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Company

As at December 31, 2015 (RMB'million)

<i>Financial assets</i>						
	(a)	(b)	(c) = (a) - (b)	(d) Related amounts not set off in the statement of financial position		(e) = (c) + (d)
Type of financial asset	Gross amounts of recognised financial asset	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
Amount due from subsidiaries	1,155	17	1,138	-	-	1,138
Total	1,155	17	1,138	-	-	1,138

<i>Financial liabilities</i>						
	(a)	(b)	(c) = (a) - (b)	(d) Related amounts not set off in the statement of financial position		(e) = (c) + (d)
Type of financial liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
Amount due to subsidiaries	17	17	-	-	-	-
Total	17	17	-	-	-	-

As at December 31, 2014 (RMB'million)

<i>Financial assets</i>						
	(a)	(b)	(c) = (a) - (b)	(d) Related amounts not set off in the statement of financial position		(e) = (c) + (d)
Type of financial asset	Gross amounts of recognised financial asset	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
Amount due from subsidiaries	950	10	940	-	-	940
Total	950	10	940	-	-	940

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

<i>Financial liabilities</i>						
	(a)	(b)	(c) = (a) - (b)	(d) <i>Related amounts not set off in the statement of financial position</i>		(e) = (c) + (d)
<i>Type of financial liabilities</i>	<i>Gross amounts of recognised financial liabilities</i>	<i>Gross amounts of recognised financial assets set off in the statement of financial position</i>	<i>Net amounts of financial liabilities presented in the statement of financial position</i>	<i>Financial instruments</i>	<i>Cash collateral received</i>	<i>Net amount</i>
Amount due to subsidiaries	10	10	-	-	-	-
Total	10	10	-	-	-	-

In reconciling the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position' to the line item amounts presented in the statement of financial position, the above amounts represent only those which are subject to offsetting, enforceable master netting arrangements and similar agreements. The residual amounts relate to those that are not in scope of the offsetting disclosures.

(c) Financial risk management policies and objectives

The Group's major financial instruments include trade and other receivables, trade and other payables, amount due from immediate holding company, amounts due from/to related companies, borrowings, restricted bank deposits and bank balances.

Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and 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 in a timely and effective manner.

(i) Credit risk management

As at the end of each reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure by the counterparties to discharge the obligations arises from the carrying amount of the respective recognised financial assets as stated in the Group's and the Company's statements of financial position.

In order to minimise the credit risk, management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Other than the concentration of credit risk from the amount due from the immediate holding company, related companies and related parties, the Group and the Company have limited concentration of credit risk, with exposure spread over a large number of counterparties and customers. In order to minimise the credit risk, management continuously monitor the level of exposure to ensure that corrective actions are taken as appropriate.

(ii) Market risks management

The Group's and the Company's activities expose it primarily to the financial risks of changes in interest rate risk, foreign currency rate risk and equity price risk. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

Interest rate risk management

The Group's fair value interest rate risk relates primarily to fixed-rate restricted bank deposits and bank deposits, fixed-rate borrowings, fixed-rate senior secured notes and unsecured notes, and the Company's fair value interest rate risk relates primarily to fixed-rate unsecured notes. The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate promissory note due from immediate holding company, variable-rate restricted bank deposits and variable-rate borrowings (see Note 22 for details of these borrowings). The Group and the Company currently do 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 fair value interest rate risk on bank deposits is insignificant as the restricted deposits are short-term.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of the reporting periods and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

For year ended December 31, 2015, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by approximately RMB30 million (2014 : RMB20 million), and the Company's profit before tax would decrease/increase by approximately RMB5 million (2014 : RMB7 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign currency risk management

The Group and the Company undertake certain transactions denominated in foreign currency hence exposes to exchange rate fluctuation arise.

The carrying amounts of the monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies at the end of respective reporting periods (excluding the effect of hedging with forward currencies derivatives in Note 26) are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
<u>Group</u>				
United States dollars				
("US dollars")	1,401	1,360	5,712	5,830
Sterling pounds	73	37	-	1
Euros	267	306	132	131
Canadian dollars	18	7	-	-
Japanese yen	1	4	1	2
Singapore dollars	5	19	466	467
Hong Kong dollars	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>
<u>Company</u>				
US dollars	1,958	1,505	3,274	3,034
Singapore dollars	<u>3</u>	<u>4</u>	<u>478</u>	<u>477</u>

One of the Group's subsidiaries had entered into forward foreign exchange contracts with a bank during the year to manage its exposure to foreign exchange movements. Details of the forward exchange contracts are disclosed in Note 26 to the financial statements.

The Group is mainly exposed to US dollars, Sterling pounds, Euros, and Singapore dollars and the Company is mainly exposed to US dollars and Singapore dollars.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

The Group has investments in foreign subsidiaries and associate, whose net assets are exposed to currency translation risk.

Foreign currency sensitivity

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies (excluding the effect of hedging with forward currencies derivatives in Note 26). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

For the years ended December 31, 2014 and 2015, a positive number below indicates an increase in profit before tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit before tax for the year.

	<u>2015</u> RMB'million	<u>2014</u> RMB'million
<u>Group</u>		
<u>US dollars</u>		
- if RMB weakens against US dollars	(216)	(224)
- if RMB strengthens against US dollars	<u>216</u>	<u>224</u>
<u>Sterling pounds</u>		
- if RMB weakens against Sterling pounds	4	2
- if RMB strengthens against Sterling pounds	<u>(4)</u>	<u>(2)</u>
<u>Euros</u>		
- if RMB weakens against Euros	7	9
- if RMB strengthens against Euros	<u>(7)</u>	<u>(9)</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	<u>2015</u> RMB'million	<u>2014</u> RMB'million
<u>Group</u>		
<u>Singapore dollars</u>		
- if RMB weakens against Singapore dollars	(23)	(22)
- if RMB strengthens against Singapore dollars	<u>23</u>	<u>22</u>

The impact on the Group's profit or loss due to strengthening or weakening of Japanese yen, Canadian dollars and Hong Kong dollars is not material for the financial years ended December 31, 2015 and 2014.

Company

US dollars

- if RMB weakens against US dollars	(66)	(76)
- if RMB strengthens against US dollars	<u>66</u>	<u>76</u>

Singapore dollars

- if RMB weakens against Singapore dollars	(24)	(24)
- if RMB strengthens against Singapore dollars	<u>24</u>	<u>24</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(iii) Liquidity risk management

The Company has net current liabilities amounting to RMB1,643 million and RMB746 million at December 31, 2015 and 2014 respectively. The Company is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In doing so, the management monitors the utilisation of bank borrowings and compliance with loan covenants.

The Group finances its capital intensive operations by short-term and long-term borrowings and shareholders' equity. Its current liabilities as at December 31, 2015 and 2014 includes short-term bank borrowings which management believes could be renewed on an annual basis.

Management is of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements that is for at least the next 12 months from the end of the reporting period. Hence, the financial statements have been prepared on a going concern basis.

Liquidity and interest risk tables

Non-derivative financial liabilities

The following tables detail the Group's and Company's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Group	Weighted average effective interest rate %	On demand or within 1 year RMB'million	Within 2-5 years RMB'million	After 5 years RMB'million	Adjustment RMB'million	Total RMB'million
<u>2015</u>						
Trade and other payables	-	4,754	2	1	-	4,757
Amounts due to related companies/parties	-	149	-	-	-	149
Variable interest rates borrowings	5.0	3,020	2,408	82	(287)	5,223
Fixed interest rates borrowings	6.3	901	287	-	(44)	1,144
Senior secured notes	7.8	142	3,624	-	(546)	3,220
Unsecured notes	6.9	<u>31</u>	<u>481</u>	<u>-</u>	<u>(56)</u>	<u>456</u>
		<u>8,997</u>	<u>6,802</u>	<u>83</u>	<u>(933)</u>	<u>14,949</u>
<u>2014</u>						
Trade and other payables	-	5,460	1	2	-	5,463
Amounts due to related companies/parties	-	135	-	-	-	135
Variable interest rates borrowings	5.6	2,146	2,791	94	(362)	4,669
Fixed interest rates borrowings	5.0	1,247	379	-	(56)	1,570
Senior secured notes	7.8	134	3,652	-	(774)	3,012
Unsecured notes	6.9	<u>31</u>	<u>516</u>	<u>-</u>	<u>(90)</u>	<u>457</u>
		<u>9,153</u>	<u>7,339</u>	<u>96</u>	<u>(1,282)</u>	<u>15,306</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

<u>Company</u>	<u>Weighted average effective interest rate</u> %	<u>On demand or within 1 year</u> RMB'million	<u>Within 2-5 years</u> RMB'million	<u>After 5 years</u> RMB'million	<u>Adjustment</u> RMB'million	<u>Total</u> RMB'million
<u>2015</u>						
Other payables	-	18	-	-	-	18
Amounts due to subsidiaries	-	2,323	-	-	-	2,323
Variable interest rates borrowings	4.7	497	524	-	(51)	970
Unsecured notes	6.9	31	481	-	(56)	456
		<u>2,869</u>	<u>1,005</u>	<u>-</u>	<u>(107)</u>	<u>3,767</u>
<u>2014</u>						
Other payables	-	21	-	-	-	21
Amounts due to subsidiaries	-	1,753	-	-	-	1,753
Variable interest rates borrowings	4.8	452	962	-	(104)	1,310
Unsecured notes	6.9	31	516	-	(90)	457
		<u>2,257</u>	<u>1,478</u>	<u>-</u>	<u>(194)</u>	<u>3,541</u>

Derivative financial instruments

One of the Group's subsidiaries entered into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in Note 26.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	On demand or within <u>1 year</u> RMB'million	Within 2 to <u>5 years</u> RMB'million	After <u>5 years</u> RMB'million
<u>Group</u>			
<u>2015</u>			
Net settled:			
Non-deliverable foreign exchange forward contracts	<u>(8)</u>	<u>-</u>	<u>-</u>
<u>2014</u>			
Net settled:			
Non-deliverable foreign exchange forward contracts	<u>12</u>	<u>-</u>	<u>-</u>

(d) Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

Management considers that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their corresponding fair values.

Some of the Group's financial assets and financial liabilities 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 and financial liabilities are determined.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Financial assets / financial liabilities	Fair value as at (RMB'million)				Fair value hierarchy	Valuation technique(s) and key input(s)
	2015		2014			
	Assets	Liabilities	Assets	Liabilities		
Derivative financial instruments (Note 26)						
Forward foreign exchange contracts not designated in hedge accounting relationships	-	8	12	-	Level 2	Discounted cash flows. Future cash flows are determined by the value of different parameters reflecting the market condition at that time, as well as the remaining terms and tenor of the contracts. This value is not determined solely by reference to the prevailing spot rate and strike rate, but also by reference to other factors such as but not limited to expected forward rate, volatility, interest rate, credit risk, valuation model and other market data which the company's banker believes to be appropriate at time of calculation.
Available for sale investment (Note 19)						
Quoted equity shares	2	-	56	-	Level 1	Quoted bid prices in an active market
Unquoted investment funds	4	-	4	-	Level 1	Net asset value ^(a)
Unlisted notes	-	-	18	-	Level 2	Net asset value ^(a)
Unquoted equity funds	197	-	63	-	Level 2	Net asset value ^(a)
Unquoted equity funds	10	-	-	-	Level 3	Net asset value ^(a)
Held for trading investment (Note 20)						
Equity investment	-	-	31	-	Level 3	Net asset value ^(a)

^(a) The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

(e) 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 capital structure of the Group consists of debt, which includes amounts due to related companies/parties and borrowings, as disclosed in Notes 7 and 22 respectively and equity attributable to owner of the Company, comprising share capital and reserves.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Management reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the issue of new shares, new debts or the redemption of existing debts.

The Group's overall strategy remains unchanged from 2014.

5 HOLDING COMPANY AND RELATED COMPANIES TRANSACTIONS

The Company is a subsidiary of GT Asia Pacific Holdings Pte. Ltd ("GT Asia"), a company incorporated in Singapore. The ultimate holding company is GITI Holdings Ltd., a company incorporated in the British Virgin Islands.

Some of the transactions and arrangements are between members of the Group and the effects of these on the bases determined between the parties are reflected in these financial statements.

The amounts due from subsidiaries are expected to be recovered within 12 months from the end of each reporting period and are shown as current assets in the statement of financial position. The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

During the year, the Group entered into the following significant transactions with related companies:

	2015 RMB'million	<u>Group</u> 2014 RMB'million
<i>Immediate holding company</i>		
Interest income on promissory note receivable	35	34
Payment for consultancy services	<u>(4)</u>	<u>(4)</u>
<i>Subsidiaries of immediate holding company</i>		
Purchase of raw materials	(25)	(30)
Purchase of supplies	(4)	(4)
Purchase of others	<u>(1)</u>	<u>-</u>

6 OTHER RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

6 OTHER RELATED PARTY TRANSACTIONS (cont'd)

During the year, the Group entered into the following significant transactions with related parties:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
<i>Companies with common ultimate shareholder</i>		
Sales of goods	73	110
Purchase of raw materials	(34)	(23)
Purchase of spare parts	(1)	(1)
Purchase of property, plant and equipment	(46)	(97)
Payment for lease of factory premises and equipment	(2)	(4)
Payment for consultancy and other services	(4)	(4)
Placement of deposit for proposed purchase of property	-	(12)
Acquisition of held for trading investment	-	(31)
Payment of other expenses	<u>(1)</u>	<u>-</u>
<i>Company with a common director of a subsidiary</i>		
Purchase of raw materials	(211)	(180)
<i>Company in which director of subsidiary has control</i>		
Payment for other services	(2)	-
Service fee income	<u>1</u>	<u>-</u>
<i>Company in which key management of subsidiary has control</i>		
Sale of raw materials	<u>15</u>	<u>20</u>
<i>Subsidiary of an associate</i>		
Interest income	18	18
Purchase of raw materials	(454)	(336)

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS December 31, 2015

6 OTHER RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management was as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Short-term benefits	<u>134</u>	<u>137</u>

7 AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES/PARTIES

(a) Amounts due from immediate holding company

	<u>Group and Company</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
<i>Immediate holding company</i>		
Senior promissory note	694	620
Non-trade	<u>395</u>	<u>394</u>
	<u>1,089</u>	<u>1,014</u>

The senior promissory note of US\$107 million (2014 : US\$101 million), equivalent to approximately RMB694 million (2014 : RMB620 million) bears interest at LIBOR plus 5.35% per annum and payable in a single payment on September 30, 2017.

The non-trade balance represents advances to the immediate holding company and is unsecured, non-interest bearing and repayable on demand. Accordingly, it is shown as current asset.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

7 AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES/PARTIES (cont'd)

(b) Amounts due from related companies/parties

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
<u>Current</u>		
<i>Subsidiaries of immediate holding company</i>		
Non-trade	123	63
<i>Companies with common ultimate shareholder</i>		
Trade	19	25
Non-trade	51	44
<i>Company with a common director of a subsidiary</i>		
Trade	91	80
<i>Company in which key management of subsidiary has control</i>		
Trade	3	4
Non-trade	1	1
<i>Subsidiaries of an associate</i>		
Non-trade	<u>101</u>	<u>89</u>
	<u>389</u>	<u>306</u>

The credit period for trade-related balances is 60 to 75 days (2014 : 30 to 75 days) and will be settled/received under normal credit terms.

The non-trade receivables represent advances and deposits paid for the purchase of machinery and equipment, and for the proposed purchase of a property. They are unsecured, non-interest bearing and repayable on demand.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

7 AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES/PARTIES (cont'd)

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
<u>Non-current</u>		
<i>Companies with common ultimate shareholder</i>		
Non-trade	343	343
<i>A subsidiary of an associate</i>		
Non-trade	<u>305</u>	<u>319</u>
	<u>648</u>	<u>662</u>

The non-trade receivables due from company with common ultimate shareholder represents deposits paid for purchase of machinery and equipment and are unsecured and non-interest bearing. Management does not expect the machinery and equipment to be delivered within 12 months from the end of the reporting period. Accordingly, the amounts were classified as non-current assets at the end of the reporting period.

The non-trade receivables due from a subsidiary of an associate are unsecured and bears interest at 6% per annum.

The following is an aged analysis of trade receivables due from related companies/parties which are past due but not impaired at the end of the reporting period:

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
0 to 90 days	<u>1</u>	<u>2</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS December 31, 2015

7 AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES/PARTIES (cont'd)

(c) Amounts due to related companies/parties

	<u>Group</u>	
	<u>2015</u> RMB'million	<u>2014</u> RMB'million
<i>Subsidiaries of immediate holding company</i>		
Trade	21	26
<i>Companies with common ultimate shareholder</i>		
Non-trade	12	17
<i>Subsidiary of an associate</i>		
Trade	115	91
Non-trade	<u>1</u>	<u>1</u>
	<u>149</u>	<u>135</u>

Trade payables principally comprise amounts outstanding for trade purchases. The credit period taken for trade purchases is 30 to 60 days (2014 : 30 to 90 days).

The non-trade payables represent outstanding amounts for machinery and equipment acquired by the Group.

The amounts due to related companies/parties are unsecured, non-interest bearing and repayable on demand.

8 BANK BALANCES AND CASH

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RMB'million	<u>2014</u> RMB'million	<u>2015</u> RMB'million	<u>2014</u> RMB'million
Cash on hand	2	4	-	-
Cash at bank	<u>1,221</u>	<u>1,541</u>	<u>4</u>	<u>6</u>
Total	<u>1,223</u>	<u>1,545</u>	<u>4</u>	<u>6</u>

Bank balances and cash of the Group and the Company comprise cash and short-term bank deposits with an original maturity of three months or less. During the year, the bank balances carry variable interest rates ranging from 0.01% to 5.37% (2014 : 0.01% to 4.86%) per annum.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

9 RESTRICTED BANK DEPOSITS

The restricted bank deposits include deposits pledged to banks to secure bills and notes payables, short-term borrowings granted to the Group, and deposits restricted for the aggregate interest and principal payables for a period of 3 to 6 months of long term borrowings, and are therefore classified as current assets.

During the year, the Group's and the Company's restricted bank deposits carry fixed interest on prevailing market rates ranging 0.75% to 8.75% (2014 : 0.01% to 9.75%) per annum. The restricted bank deposits will be released upon the repayment of the relevant bills, notes payable, short-term borrowings and long-term borrowings.

10 TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
Trade receivables (Note a)	3,197	2,848	-	-
Allowance for doubtful debt	(15)	(7)	-	-
(Note a)	<u>3,182</u>	<u>2,841</u>	<u>-</u>	<u>-</u>
Notes receivables (Note b)	328	449	-	-
Deposits for purchase of raw materials	82	109	-	-
Value-added tax receivable	136	176	-	-
Other receivables due from outside parties (Note c)	256	170	-	-
Allowance for doubtful debt	(82)	(82)	-	-
(Note c)	<u>174</u>	<u>88</u>	<u>-</u>	<u>-</u>
Prepayments	<u>215</u>	<u>201</u>	<u>4</u>	<u>3</u>
Total	<u>4,117</u>	<u>3,864</u>	<u>4</u>	<u>3</u>

- (a) Before accepting any new customers, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year.

The credit period extended to the Group's trade customers is from 5 to 160 days. Trade receivables at the end of the reporting period mainly comprise amounts receivable from the sales of tires. No interest is charged on the trade receivables. The Group does not hold any collateral over these balances.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS December 31, 2015

10 TRADE AND OTHER RECEIVABLES (cont'd)

As at the end of the reporting period, certain trade receivable balances due from third parties are factored to a bank for cash on non-recourse basis amounting to RMB52 million (2014 : RMB85 million). As the Group has transferred substantially all the risks and rewards of ownership of those trade receivables, the Group derecognised such receivables. Expenses incurred representing the discount granted and fees paid to the bank on the factored receivables were recognised in profit or loss for the year.

Trade receivables amounting to RMB304 million (2014 : RMB165 million) were pledged to banks to secure banking facilities (Note 22) granted to the Group as at the end of the reporting period.

Included in the Group's trade receivable balance are receivables with a carrying amount of RMB477 million (2014 : RMB370 million) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period.

Aging of trade receivables that are past due but not impaired

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Age:		
0 to 90 days	359	307
91 to 180 days	74	49
181 to 365 days	25	9
1 to 2 years	10	5
Over 2 years	<u>9</u>	<u>-</u>
	<u>477</u>	<u>370</u>

Movement in the allowance for doubtful debts in respect of trade receivables

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Balance at beginning of the year	7	6
Arising from acquisition of subsidiary (Note 34)	3	-
Increase in allowance		
recognised in profit or loss	6	2
Written off during the year	<u>(1)</u>	<u>(1)</u>
Balance at end of the year	<u>15</u>	<u>7</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

10 TRADE AND OTHER RECEIVABLES (cont'd)

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting periods. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that no further allowance is required in excess of the allowance for doubtful debts.

(b) Notes receivables at the end of the reporting period are interest-free, unsecured and not past due.

(c) Other receivables, after allowance for doubtful debts, comprise the following:

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
Staff advances	12	15
Deposit for supplies	7	3
Amounts due from third party customers	108	30
Others (Note)	<u>47</u>	<u>40</u>
	<u>174</u>	<u>88</u>

Note: Others mainly represent deposits for office rental and government grants receivable.

Amounts due from third party customers are unsecured, due on demand from the end of the reporting period, and bear interest of 2% to 6% (2014 : 2% to 6%). Other receivables at the end of the reporting period are interest free, unsecured and not past due.

The amounts stated above are determined after deducting an allowance which has been made for estimated irrecoverable amounts on other receivables from third parties.

Movement in the allowance for doubtful debts in respect of other receivables

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
Balance at beginning and end of the year	<u>82</u>	<u>82</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

11 PREPAID LEASE PAYMENTS

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Non-current assets	1,088	1,152
Current assets	<u>44</u>	<u>46</u>
	<u>1,132</u>	<u>1,198</u>

The Group's prepaid lease payments relates to land use rights which are amortised on a straight-line basis over the lease terms from 13 to 67 years for usage by the Group.

The amortisation expense has been included in the line items "cost of sales", "selling and distribution expenses" and "administrative expenses" in profit or loss.

As at December 31, 2015, the Group has pledged land use rights having carrying values of approximately RMB52 million (2014 : RMB86 million), to secure banking facilities (Note 22) granted to the Group.

12 INVENTORIES

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Finished goods	2,094	2,487
Work in process	266	288
Raw materials	<u>1,115</u>	<u>1,288</u>
	<u>3,475</u>	<u>4,063</u>

The cost of inventories recognised as an expense includes RMB7 million (2014 : RMB45 million) in respect of write-downs of inventory to net realisable value, and has been reduced by RMB8 million (2014 : RMB1 million) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

As at the end of the reporting period, finished goods amounting to RMB1,188 million (2014 : RMB606 million) were pledged to banks to secure bank facilities (Note 22) granted to the Group.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS December 31, 2015

13 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Leasehold land and buildings</u> RMB' million	<u>Plant and equipment</u> RMB' million	<u>Furniture, fittings and equipment</u> RMB' million	<u>Motor vehicles</u> RMB' million	<u>Construction in progress</u> RMB' million	<u>Total</u> RMB' million
Cost:						
At January 1, 2014	3,181	14,180	401	216	450	18,428
Additions	168	321	55	28	899	1,471
Transfer	96	557	8	5	(666)	-
Write off/Disposals	(6)	(178)	(5)	(13)	(1)	(203)
Currency realignment	(9)	(91)	(3)	(1)	(9)	(113)
At December 31, 2014	3,430	14,789	456	235	673	19,583
Additions	9	407	36	22	1,162	1,636
Arising from acquisition of a subsidiary (Note 34)	11	185	17	14	62	289
Transfer	36	488	2	1	(620)	(93)
Write off/Disposals	(1)	(96)	(13)	(19)	(11)	(140)
Currency realignment	(8)	(182)	(2)	(2)	(11)	(205)
At December 31, 2015	<u>3,477</u>	<u>15,591</u>	<u>496</u>	<u>251</u>	<u>1,255</u>	<u>21,070</u>
Accumulated depreciation:						
At January 1, 2014	1,340	8,885	273	145	-	10,643
Depreciation for the year	110	809	41	24	-	984
Eliminated on disposal	(2)	(101)	(4)	(11)	-	(118)
Currency realignment	(5)	(33)	(2)	(1)	-	(41)
At December 31, 2014	1,443	9,560	308	157	-	11,468
Depreciation for the year	112	794	45	26	-	977
Arising from acquisition of a subsidiary (Note 34)	6	153	10	6	-	175
Transfer	-	(93)	-	-	-	(93)
Eliminated on disposal	(1)	(80)	(9)	(17)	-	(107)
Currency realignment	(8)	(96)	(1)	(1)	-	(106)
At December 31, 2015	<u>1,552</u>	<u>10,238</u>	<u>353</u>	<u>171</u>	<u>-</u>	<u>12,314</u>
Accumulated impairment:						
At January 1, 2014	4	86	-	-	1	91
Impairment loss recognised for the year	-	20	-	-	3	23
Eliminated on disposal	-	(42)	-	-	-	(42)
At December 31, 2014	4	64	-	-	4	72
Impairment loss recognised for the year	-	9	1	1	-	11
Eliminated on disposal	-	(5)	(1)	(1)	-	(7)
At December 31, 2015	<u>4</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>76</u>
Carrying amount:						
At December 31, 2015	<u>1,921</u>	<u>5,285</u>	<u>143</u>	<u>80</u>	<u>1,251</u>	<u>8,680</u>
At December 31, 2014	<u>1,983</u>	<u>5,165</u>	<u>148</u>	<u>78</u>	<u>669</u>	<u>8,043</u>

During the year, certain subsidiaries carried out major maintenance on their existing plant and equipment. Accordingly, the assets previously classified as plant and equipment were reclassified to construction-in-progress.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

<u>Company</u>	<u>Buildings</u> <u>on leasehold</u> <u>land</u> RMB'million	<u>Furniture,</u> <u>fittings and</u> <u>equipment</u> RMB'million	<u>Total</u> RMB'million
Cost:			
At January 1, 2014	6	8	14
Additions	<u>-</u>	<u>1</u>	<u>1</u>
At December 31, 2014	6	9	15
Additions	<u>-</u>	<u>1</u>	<u>1</u>
At December 31, 2015	<u>6</u>	<u>10</u>	<u>16</u>
Accumulated depreciation:			
At January 1, 2014	4	7	11
Depreciation for the year	<u>- *</u>	<u>1</u>	<u>1</u>
At December 31, 2014	4	8	12
Depreciation for the year	<u>- *</u>	<u>1</u>	<u>1</u>
At December 31, 2015	<u>4</u>	<u>9</u>	<u>13</u>
Carrying amount:			
At December 31, 2015	<u>2</u>	<u>1</u>	<u>3</u>
At December 31, 2014	<u>2</u>	<u>1</u>	<u>3</u>

* The amount of additions and depreciation for the year is less than RMB1 million.

During the year, management conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to obsolescence. Accordingly, impairment losses of RMB11 million (2014 : RMB23 million) has been recognised for the year ended December 31, 2015. The recoverable amounts of the relevant assets have been determined on the basis of their value in use which was measured using a discount rate of 10% (2014 : 10%).

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Certain leasehold land and buildings, and plant and equipment of the Group are mortgaged to banks to secure banking facilities (Note 22) granted to the Group as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
<u>Carrying amount</u>		
Leasehold land and buildings	364	669
Plant and equipment	<u>400</u>	<u>574</u>
	<u>764</u>	<u>1,243</u>

During the year, interest capitalised as property, plant and equipment amounted to approximately RMB4 million (2014 : RMB4 million).

14 INVESTMENT PROPERTIES

	<u>Group</u>
	RMB'million
Cost:	
At January 1, 2014	-
Addition	<u>18</u>
At December 31, 2014	18
Currency alignment	<u>1</u>
At December 31, 2015	<u>19</u>
Accumulated depreciation:	
At January 1, 2014	-
Depreciation for the year	<u>- *</u>
At December 31, 2014	- *
Depreciation for the year	<u>2</u>
At December 31, 2015	<u>2</u>
Carrying amount:	
At December 31, 2015	<u>17</u>
At December 31, 2014	<u>18</u>

* The amount of depreciation is less than RMB1 million.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

14 INVESTMENT PROPERTIES (cont'd)

Details of the Group's investment properties and information about their fair value as at December 31, 2015 and 2014 are as follows:

	Fair value as at December 31, 2015 RMB' million	Fair value as at December 31, 2014 RMB' million
Commercial building located in Jakarta, Indonesia	<u>17</u>	<u>18</u>

The fair value of the properties are categorised into Level 3 of the fair value hierarchy and was determined on the basis of valuations using the Cost Approach carried out at the end of the reporting period by independent valuers having an appropriate recognised professional qualification and recent experience in the location and categories of the properties being valued.

15 GOODWILL

	Group RMB'million
Cost:	
At January 1, 2014, December 31, 2014 and December 31, 2015	<u>14</u>
Accumulated impairment:	
At January 1, 2014 and December 31, 2014	12
Charged to profit or loss	<u>2</u>
At December 31, 2015	<u>14</u>
Carrying amount:	
At December 31, 2015	<u>-</u>
At December 31, 2014	<u>2</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination.

The carrying amount of goodwill as at December 31, 2014 and 2015 allocated to these units are as follows:

	Group 2015 RMB'million	2014 RMB'million
Mould manufacturing plant	-	1
Sales and distribution of tire products in the United States of America	<u>-</u>	<u>1</u>
	<u>-</u>	<u>2</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

16 INTANGIBLE ASSETS

	Development cost RMB'million	Software RMB'million	Trademarks RMB'million	Order backlog RMB'million	Total RMB'million
<u>Group</u>					
Cost:					
At January 1, 2014	2	39	21	-	62
Transfer	(9)	9	-	-	-
Additions	<u>15</u>	<u>9</u>	<u>1</u>	<u>-</u>	<u>25</u>
At December 31, 2014	8	57	22	-	87
Transfer	(10)	10	-	-	-
Additions	5	3	1	-	9
Arising from acquisition of a subsidiary (Note 34)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
At December 31, 2015	<u>3</u>	<u>70</u>	<u>23</u>	<u>12</u>	<u>108</u>
Accumulated amortisation:					
At January 1, 2014	-	5	17	-	22
Amortisation for the year	<u>-</u>	<u>5</u>	<u>1</u>	<u>-</u>	<u>6</u>
At December 31, 2014	-	10	18	-	28
Amortisation for the year	<u>-</u>	<u>7</u>	<u>1</u>	<u>12</u>	<u>20</u>
At December 31, 2015	<u>-</u>	<u>17</u>	<u>19</u>	<u>12</u>	<u>48</u>
Carrying amount:					
At December 31, 2015	<u>3</u>	<u>53</u>	<u>4</u>	<u>-</u>	<u>60</u>
At December 31, 2014	<u>8</u>	<u>47</u>	<u>4</u>	<u>-</u>	<u>59</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

16 INTANGIBLE ASSETS (cont'd)

<u>Company</u>	<u>Trademarks</u> RMB'million
Cost:	
At January 1, 2014	13
Additions	<u>1</u>
At December 31, 2014	14
Additions	<u>1</u>
At December 31, 2015	<u>15</u>
Accumulated amortisation:	
At January 1, 2014	9
Amortisation for the year	<u>1</u>
At December 31, 2014	10
Amortisation for the year	<u>1</u>
At December 31, 2015	<u>11</u>
Carrying amount:	
At December 31, 2015	<u>4</u>
At December 31, 2014	<u>4</u>

Software is amortised over its estimated useful life of 3 to 10 years.

Trademarks are amortised over their estimated useful lives ranging from 7 to 10 years.

The amortisation expenses have been included in the line item 'administrative expenses' in profit or loss.

17 INVESTMENTS IN SUBSIDIARIES

	<u>Company</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Unlisted investment, at cost	<u>3,413</u>	<u>3,407</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

17 INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries of the Company at December 31 are as follows:

Name of subsidiary	Date of incorporation/ establishment	Country of incorporation (or establishment) and operation	Issued and fully paid share/ registered capital	Attributable equity interest held by the Company		Principal activity
				2015 %	2014 %	
Denham Pte. Ltd. (b)	March 20, 1997	Republic of Singapore	SGD172,000,000	100	100	Investment holding
Giti Tire Global Enterprise Pte. Ltd. (b)	August 15, 2005	Republic of Singapore	SGD2,000,000	100	100	Investment holding
Giti Tire Global Trading Pte. Ltd. (b)	October 11, 2002	Republic of Singapore	SGD2,000,000	100	100	Marketing and trading of tire products
Primwell-Inoac Pte. Ltd. (b)	May 24, 1994	Republic of Singapore	SGD21,000,000	100	100	Investment holding
Giti Tire Technical Centre Pte. Ltd. (b)	October 5, 2006	Republic of Singapore	SGD2,505,000	100	100	Research and experimental development in engineering
Morningleaf Pte. Ltd. (b)	May 19, 1993	Republic of Singapore	SGD6,000,000	100	100	Property holding and management
3S Engineering Shanghai Co., Ltd. (a) 上海精和模具有限公司	October 18, 2002	People's Republic of China ("PRC")	USD3,000,000	100	100	Manufacturing of tire moulds and related products
Anhui Chuan Jia Property Development Co., Ltd. (a) 安徽传佳房地产发展有限公司	December 6, 2006	PRC	RMB50,000,000	100	100	Property investment
Anhui Prime Cord Fabrics Co., Ltd. (a) 安徽佳元工业纤维有限公司	June 20, 1995	PRC	USD29,800,000	100	100	Design and production of synthetic fabrics
Anhui Giti Tire Retreading Co., Ltd. (a) 安徽佳通轮胎翻新有限公司	June 20, 1995	PRC	USD10,528,100	100	100	Manufacture of motorcycle tires and industrial tires and plastic products
Giti Greatwall Tire (Yinchuan) Co., Ltd. (a) 银川佳通长城轮胎有限公司	December 26, 2002	PRC	RMB246,500,000	100	100	Manufacture of tire products
Giti Radial Tire (Anhui) Co., Ltd. (a) 安徽佳通乘用车子午线轮胎有限公司	February 6, 2007	PRC	USD30,000,000	100	100	Manufacture of tire products
Giti Radial Tire (Mudanjiang) Co., Ltd. (a) 牡丹江佳通子午胎有限公司	December 28, 2001	PRC	RMB150,000,000	100	100	Manufacture of tire products
Giti Steel Cord (Anhui) Co., Ltd. (a) 安徽佳通钢帘线有限公司	October 24, 2007	PRC	USD12,000,000	100	100	Design and production of steel cord
Giti Steel Cord (Hubei) Co., Ltd. (a) 湖北佳通钢帘线有限公司	April 20, 2004	PRC	RMB135,000,000	100	100	Design and production of steel cord
Giti Tire (Anhui) Co., Ltd. (a) 安徽佳通轮胎有限公司	November 6, 1993	PRC	USD137,000,000	100	100	Manufacture of tire products
Giti Tire (China) Investment Co., Ltd. (a) 佳通轮胎(中国)投资有限公司	June 23, 2003	PRC	USD202,020,000	100	100	Investment holding and distribution
Giti Tire (Chongqing) Co., Ltd. (a) 重庆佳通轮胎有限公司	August 28, 2002	PRC	USD16,800,000	100	100	Manufacture of tire products
Giti Tire Corporation (a) (d) 佳通轮胎股份有限公司	June 8, 1993	PRC	RMB340,000,000	44.4	44.4	Investment holding
Giti Tire (Fujian) Co., Ltd. (a) 福建佳通轮胎有限公司	February 28, 1995	PRC	USD106,700,000	71.7	71.7	Manufacture of tire products
Giti Tire (Hualin) Co., Ltd. (a) 桦林佳通轮胎有限公司	January 16, 2004	PRC	USD51,640,000	100	100	Manufacture of tire products
Hefei Jia Lin Garden Project Co., Ltd. (a) 合肥佳林景观工程有限公司	December 6, 2002	PRC	RMB1,500,000	100	100	Provision of gardening and related services
GITI Tire (Yinchuan) Co., Ltd. (a) 银川佳通轮胎有限公司	December 16, 2002	PRC	RMB346,500,000	100	100	Manufacture of tire products

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS December 31, 2015

17 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Date of incorporation/ establishment	Country of incorporation (or establishment) and operation	Issued and fully paid share/ registered capital	Attributable equity interest held by the Company		Principal activity
				2015 %	2014 %	
Speedwork (Shanghai) Co., Ltd. (a) 上海驾捷乐商贸有限公司	August 20, 2012	PRC	RMB20,000,000	100	100	Provision of auto-care and maintenance services, including tires and rim replacement
Shanghai Giti Culture Transmission Co., Ltd. (c) 上海佳通文化传播有限公司	June 16, 2014	PRC	RMB1,000,000	80	80	Consulting service
Speedwork Industrial (Shanghai) Co., Ltd (c) 驾捷乐实业(上海)有限公司	August 5, 2015	PRC	RMB10,000,000	100	-	Provision of auto care and maintenance services, including tires and rim replacement
Taiwan Giti Tire R&D Ltd 台灣佳通輪胎研發有限公司 (c)	October 6, 2014	Republic of China	TWD1,050,450	100	100	Testing activities relating to tires and sales and distribution of tires
Giti Tire R&D Centre (Europe) GmbH (c)	November 5, 2014	Germany	EUR25,000	100	100	Research and development relating to tires
Giti Property (USA) Ltd. (a)	March 17, 2009	United States of America	USD150,000	100	100	Property holding
Giti Tire (USA) Ltd. (a)	July 6, 2005	United States of America	USD500,000	100	100	Marketing and trading of tire products
Giti Tire (Europe) B.V. (c)	December 28, 2005	Netherlands	EUR18,000	100	100	Provision of marketing administrative services
Giti Tire (Canada) Ltd. (a)	April 13, 2007	Canada	CAD150,000	100	100	Marketing and trading of tire products
Giti Tire (UK) Ltd. (a)	January 22, 2009	United Kingdom	GBP10,000	100	100	Marketing and trading of tire products
Giti Tire Deutschland GmbH (a)	August 17, 2009	Germany	EUR100,000	100	100	Marketing and trading of tire products
Giti Do Brasil Importacao Comercio E Distribuicao De Pneus Ltda (a)	August 5, 2013	Brazil	BRL367,365	100	100	Marketing and distribution of tire products and provision of marketing administrative support services
PT. Gajah Tunggal Tbk (a) (e)	August 24, 1951	Indonesia	IDR1,742,400 million	49.5	49.5	Manufacture of goods, made of of rubber, primarily tires and tubes for vehicles, goods or equipment
PT. KMI Wire and Cable Tbk (a) (f)	January 19, 1972	Indonesia	IDR 656,197 million	48.83	(f)	Manufacture aluminum, copper cables, wires and all its components, spare parts, related accessories and equipment
Giti Tire Holdings (UK) Limited (a)	May 8, 2014	United Kingdom	USD35,259,478 (2014: USD 15,522)	100	100	Investment holding
Giti Tire Holdings (USA) Limited (d)	May 7, 2014	United States of America	USD35,600,000 (2014: USD2,800,00)	100	100	Investment holding
Giti Tire Manufacturing (USA) Ltd (a)	May 7, 2014	United States of America	USD35,500,000 (2014: USD2,700,000)	100	100	Manufacture of tire products
Giti Tire R&D Center (North America) Inc. (a)	November 26, 2013	United States of America	USD950,000 (2014: USD25,000)	100	100	Research and development relating to tires
Giti Trading Sdn. Bhd. (a)	June 25, 2015	Malaysia	MYR500,000	100	-	Marketing and distribution of of tire products
Giti Tire (France) (a)	February 4, 2015	France	EUR10,000	100	-	Marketing and distribution of tire products
Giti Property (HK) Limited (c)	November 12, 2015	Hong Kong, Special Administrative Region of the PRC	HKD1	100	-	Investment and trading

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

17 INVESTMENTS IN SUBSIDIARIES (cont'd)

- (a) Audited by overseas practices of Deloitte & Touche Tohmatsu Limited.
- (b) Audited by Deloitte & Touche LLP, Singapore.
- (c) Management accounts used for consolidation purposes as immaterial.
- (d) Listed on the Shanghai Stock Exchange.

Giti Tire Corporation is listed on the Shanghai Stock Exchange. Although the Group has only 44.4% equity interest in Giti Tire Corporation, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Giti Tire Corporation on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The remaining 55.6% of the ordinary shares in Giti Tire Corporation are owned by numerous other shareholders.

- (e) Listed on the Jakarta Stock Exchange.

PT. Gajah Tunggal Tbk is listed on the Jakarta Stock Exchange. Although the Group has only 49.5% (2014 : 49.5%) equity interest in PT. Gajah Tunggal Tbk, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of PT. Gajah Tunggal Tbk on the basis of the Group's absolute size of holding in PT. Gajah Tunggal Tbk and the relative size of and dispersion of the shareholdings owned by other shareholders. The remaining 50.5% (2014 : 50.5%) of the ordinary shares of PT. Gajah Tunggal Tbk are owned by numerous other shareholders.

In 2014, the Group disposed of 0.2% shareholdings in PT. Gajah Tunggal Tbk. The following schedule showed the effects of changes in the Group's equity interest from 49.7% to 49.5% that did not result in a change of control, on the equity attributable to owner of the Company.

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Amounts received on changes in ownership interest	-	8
Ownership interest disposed	<u>-</u>	<u>(6)</u>
Difference recognised in equity reserve	<u>-</u>	<u>2</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

17 INVESTMENTS IN SUBSIDIARIES (cont'd)

(f) Listed on the Jakarta Stock Exchange.

PT. KMI Wire and Cable Tbk is listed on the Jakarta Stock Exchange. Although the Group has only 48.83% ownership in PT. KMI Wire and Cable Tbk (Note 34), the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of PT. KMI Wire and Cable Tbk on the basis of the Group's absolute size of holding in PT. KMI Wire and Cable Tbk and the relative size of and dispersion of the shareholdings owned by other shareholders. The remaining 51.17% of the ordinary shares of PT. KMI Wire and Cable Tbk are owned by numerous other shareholders.

As at December 31, 2015, the Group has control over PT. KMI Wire and Cable Tbk, with increase in the ownership interest and voting rights from 18.97% to 48.83%. Accordingly, the investment is being reclassified from available-for-sale investment (Note 19) to investment in subsidiary.

Information about the composition of the Group at the end of the financial year is as follow:

<u>Principal activity</u>	<u>Number of wholly-owned subsidiaries</u>	
	<u>2015</u>	<u>2014</u>
Design and production of synthetic fabrics	1	1
Design and production of steel cord	2	2
Investment and trading of properties	1	-
Investment holding	5	5
Investment holding and distribution	1	1
Manufacture of tire products, tire moulds and related products	10	10
Marketing and distribution, and trading and sales liaising of tire products	9	7
Property holding	1	1
Property holding and management	1	1
Property investment	1	1
Provision of gardening and related services	1	1
Provision of auto-care and maintenance services, including tires and rim replacement	2	1
Research and experimental development in engineering	1	1
Research and development of tire products	<u>3</u>	<u>3</u>
	<u>39</u>	<u>35</u>

<u>Principal activity</u>	<u>Number of partially-owned subsidiaries</u>	
	<u>2015</u>	<u>2014</u>
Manufacture of tire products	1	1
Manufacture of tire and rubber products	1	1
Manufacture of wire rods, power cables and telecom cables	1	-
Investment holding	1	1
Consulting service	<u>1</u>	<u>1</u>
	<u>5</u>	<u>4</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

17 INVESTMENTS IN SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Country of incorporation (or establishment) and operation	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
		%	%	RMB'million	RMB'million	RMB'million	RMB'million
Giti Tire Corporation	PRC	55.6	55.6	(5)	(5)	282	207
Giti Tire (Fujian) Co., Ltd	PRC	28.3	28.3	118	123	446	522
PT. Gajah Tunggal Tbk	Indonesia	50.5	50.5	(102)	54	1,127	1,273
PT KMI Wire and Cable Tbk	Indonesia	51.2	(f)	<u>10</u>	<u>-</u>	<u>185</u>	<u>-</u>
				<u>21</u>	<u>172</u>	<u>2,040</u>	<u>2,002</u>

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.

	Giti Tire Corporation		Giti Tire (Fujian) Co., Ltd		PT. Gajah Tunggal Tbk		PT. KMI Wire and Cable Tbk	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Current assets	<u>339</u>	<u>242</u>	<u>1,592</u>	<u>1,825</u>	<u>3,147</u>	<u>3,148</u>	<u>452</u>	<u>-</u>
Non-current assets	<u>490</u>	<u>490</u>	<u>1,147</u>	<u>1,234</u>	<u>4,765</u>	<u>4,513</u>	<u>148</u>	<u>-</u>
Current liabilities	<u>10</u>	<u>6</u>	<u>1,062</u>	<u>1,006</u>	<u>1,748</u>	<u>1,539</u>	<u>159</u>	<u>-</u>
Non-current liabilities	<u>-</u>	<u>46</u>	<u>105</u>	<u>210</u>	<u>3,955</u>	<u>3,625</u>	<u>88</u>	<u>-</u>
Net assets	<u>819</u>	<u>680</u>	<u>1,572</u>	<u>1,843</u>	<u>2,209</u>	<u>2,497</u>	<u>353</u>	<u>-</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

17 INVESTMENTS IN SUBSIDIARIES (cont'd)

	Giti Tire Corporation		Giti Tire (Fujian) Co., Ltd		PT. Gajah Tunggal Tbk		PT. KMI Wire and Cable Tbk	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Revenue	<u>-</u>	<u>-</u>	<u>3,147</u>	<u>3,964</u>	<u>6,080</u>	<u>6,798</u>	<u>395</u>	<u>-</u>
Profit (Loss) for the year	<u>342</u>	<u>261</u>	<u>418</u>	<u>433</u>	<u>(203)</u>	<u>108</u>	<u>19</u>	<u>-</u>
Other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69)</u>	<u>(57)</u>	<u>24</u>	<u>-</u>
Total comprehensive income for the year	<u>342</u>	<u>261</u>	<u>418</u>	<u>433</u>	<u>(272)</u>	<u>51</u>	<u>43</u>	<u>-</u>
Dividends paid to non-controlling interests	<u>108</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>
Net cash inflow (outflow) from operating activities	(10)	(7)	643	1,197	373	79	(10)	-
Net cash inflow (outflow) from investing activities	280	293	(37)	(120)	(659)	(739)	(7)	-
Net cash inflow (outflow) from financing activities	(246)	(188)	(619)	(1,205)	119	103	(52)	-
Effect of foreign exchange rate changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(2)</u>	<u>16</u>	<u>-</u>	<u>-</u>
Net cash inflow (outflow)	<u>24</u>	<u>98</u>	<u>(13)</u>	<u>(133)</u>	<u>(169)</u>	<u>(541)</u>	<u>(69)</u>	<u>-</u>

18 INTEREST IN AN ASSOCIATE

	Group	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
At beginning of year	260	303
Share in net loss	(42)	(42)
Share in other comprehensive income of associate	27	4
Foreign currency exchange differences	<u>(12)</u>	<u>(5)</u>
At end of year	<u>233</u>	<u>260</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

18 INTEREST IN AN ASSOCIATE (cont'd)

Details of the Group's associate at December 31 are as follows:

<u>Name of associate</u>	<u>Country of incorporation and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2015</u>	<u>2014</u>	
		<u>%</u>	<u>%</u>	
PT Polychem Indonesia Tbk ^{(1) (2)}	Indonesia	25.6	25.6	Manufacture polyester products, engineering plastic and resin, ethylene glycol and petrochemical

(1) The shares of PT Polychem Indonesia Tbk are listed on the Jakarta Stock Exchange, Indonesia.

(2) Audited by overseas practice of Deloitte Touche Tohmatsu Limited.

The summarised financial information in respect of the Group's associate prepared in accordance with FRSs is set out below:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	<u>RMB'million</u>	<u>RMB'million</u>
Revenue	<u>1,962</u>	<u>2,772</u>
Loss for the year	(165)	(162)
Other comprehensive (loss) income for the year	<u>104</u>	<u>17</u>
Total assets	1,888	2,078
Total liabilities	<u>(980)</u>	<u>(1,063)</u>
Net assets	<u>908</u>	<u>1,015</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

18 INTEREST IN AN ASSOCIATE (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in PT Polychem Indonesia Tbk recognised in the consolidated financial statements:

	<u>2015</u> RMB' million	<u>2014</u> RMB' million
Net assets of the associate	908	1,015
Proportion of the Group's ownership interest in the associate	25.6%	25.6%
Carrying amount of the Group's interest in the associate	<u>233</u>	<u>260</u>

19 AVAILABLE-FOR-SALE INVESTMENTS

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
<u>Current</u>		
Unquoted investment funds, at fair value	<u>169</u>	<u>45</u>
<u>Non-current</u>		
Quoted equity shares, at fair value	2	56
Unquoted equity shares, at cost	100	100
Unquoted investment funds, at fair value	<u>42</u>	<u>40</u>
	<u>144</u>	<u>196</u>
	<u>313</u>	<u>241</u>

The investments above include investments in quoted equity shares that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of investments in quoted equity shares are based on the quoted closing market rates on the last market day of the financial year.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

19 AVAILABLE-FOR-SALE INVESTMENTS (cont'd)

The investment in quoted equity shares also includes investments with fund managers which are in the form of bonds, funds and shares or other assets. The Group appointed Abacus Capital Cayman Limited, UBS AG and DFM Mckinley Investment Holding Ltd to manage the investments by agreeing terms and clauses on signed applications.

Investments with fund managers amounting to RMB169 million (2014 : RMB45 million) represent agreements with the respective fund managers that mature within 12 months from the end of the reporting period. Accordingly, they are classified as current assets at the end of the reporting period.

The investment in unquoted equity shares represents investment in an equity joint venture in the PRC engaged in manufacturing of printed circuit boards which the Group holds a 38.6% equity interest. Such investment is a passive investment as the remaining 61.4% equity interest is entirely held by another shareholder, who has a sufficiently dominant voting interest to direct the relevant activities of this entity. Accordingly, management considered that the Group has no significant influence over the financial and operating policy decision in this entity and hence the investment was accounted for as available-for-sale investment rather than as an associate. The investment is measured at cost less impairment at the end of each reporting period because management of the Company are of the opinion that their fair values cannot be measured reliably. On December 31, 2015, the Group entered into a sales and purchase agreement with a related party, Gultech International Pte Ltd, to dispose the entire 38.6% equity interest in this entity for RMB194 million. The disposal has been completed subsequent to the year end.

20 HELD FOR TRADING INVESTMENT

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Unquoted equity investment, at fair value	<u>-</u>	<u>31</u>

Unquoted equity investment comprised amounts invested by the Group in an investment fund which represent less than 20% ownership interest in the fund. This investment is measured at fair value through profit or loss in accordance with FRS 39 - *Financial Instruments: Recognition and Measurement*, as the Group manages the investment with an intention of profit taking when the opportunity arises.

In 2014, the changes in the fair value of held for trading investment, amounting to RMB1 million had been included in profit or loss for the year as part of "Other Income".

In 2015, the Group disposed its held for trading investment at its carrying amount of RMB31 million.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

21 TRADE AND OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
Trade payables (Note a)	1,534	1,811	-	-
Notes payable	1,483	1,590	-	-
Other payables (Note b)	1,690	1,758	13	28
Accruals (Note c)	520	527	5	2
Payable for employee welfare	1	1	-	-
Deposits received	83	37	-	-
Dividend payable				
to non-controlling interest	<u>8</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total current trade and other payables	5,319	5,727	18	30
Add: Non-current other payables (Note d)	<u>343</u>	<u>171</u>	<u>-</u>	<u>-</u>
Total	<u>5,662</u>	<u>5,898</u>	<u>18</u>	<u>30</u>

(a) Trade payables principally comprise amounts outstanding for trade purchases. The credit period taken for trade purchases is 7 to 180 days (2014 : 7 to 180 days).

(b) Other payables comprise the following:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
Payables for acquisition of property, plant and equipment	162	158	-	-
Payables for purchase of intangible assets	1	4	-	-
Salaries and staff welfare payable	352	328	13	16
Sales commission payable	442	451	-	-
Value-added tax payable	67	51	-	-
Withholding tax payable	19	36	-	9
Deposits	471	505	-	-
Deferred government grants	7	2	-	-
Other tax payable	99	133	-	-
Others	<u>70</u>	<u>90</u>	<u>-</u>	<u>3</u>
	<u>1,690</u>	<u>1,758</u>	<u>13</u>	<u>28</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

21 TRADE AND OTHER PAYABLES (cont'd)

(c) Accruals comprise the following:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
Accrued transportation costs	151	168	-	-
Accrued warranty provision	33	38	-	-
Accrued interest expenses	110	101	-	-
Accrued repair and maintenance expenses	14	20	-	-
Accrued promotion and advertising expenses	93	81	-	-
Accrued utilities expenses	69	74	-	-
Accrued rental expense	10	10	-	-
Accrued operating expenses (Note)	<u>40</u>	<u>35</u>	<u>5</u>	<u>2</u>
	<u>520</u>	<u>527</u>	<u>5</u>	<u>2</u>

Note: Accrued operating expenses mainly represent accruals for expenses relating consultancy and audit fee.

(d) Non-current other payables

The non-current other payables relate to deferred government grants and rent abatement. The deferred government grants relates to grant towards the cost of construction of its conservation of resources and environmental protection equipment, the cost of the transmission line at the Group's factory and cost of setting up a plant. These government grants, which are related to depreciable assets, are presented as deferred government grants on receipt and will be released to profit or loss over the useful lives of the assets. Accordingly, the amounts were classified as non-current liabilities at the end of the reporting period.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

22 BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings:				
Secured	2,424	2,899	970	1,310
Unsecured	3,943	3,340	-	-
			-	-
Bonds and notes payable:				
Secured	3,220	3,012	-	-
Unsecured	<u>456</u>	<u>457</u>	<u>456</u>	<u>457</u>
	10,043	9,708	1,426	1,767
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(4,347)</u>	<u>(3,153)</u>	<u>(970)</u>	<u>(396)</u>
Amounts due for settlement after 12 months	<u>5,696</u>	<u>6,555</u>	<u>456</u>	<u>1,371</u>

Movement in the unamortised loan arrangement costs (included in net carrying amount of bank borrowings above) as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
At beginning of the year	79	120	31	47
Additions during the year	5	-	-	-
Amortisation during the year (Note 29)	(38)	(42)	(15)	(16)
Foreign currency realignment	<u>(1)</u>	<u>1</u>	<u>1</u>	<u>-</u>
At end of the year	<u>45</u>	<u>79</u>	<u>17</u>	<u>31</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

22 BORROWINGS (cont'd)

The borrowings carrying fixed and variable interests are as follows:

<u>Group</u>	<u>2015</u>		<u>2014</u>	
	<u>Carrying amount</u>	<u>Weighted average</u>	<u>Carrying amount</u>	<u>Weighted average</u>
	<u>RMB'million</u>	<u>interest rate</u>	<u>RMB'million</u>	<u>interest rate</u>
		<u>per annum</u>		<u>per annum</u>
		<u>%</u>		<u>%</u>
Fixed-rate borrowings:				
Bank borrowings	1,144	6.3	1,570	5.0
Bonds payable	3,220	7.8	3,012	7.8
Unsecured notes	456	6.9	457	6.9
Variable-rate borrowings:				
Bank borrowings	<u>5,223</u>	5.0	<u>4,669</u>	5.6
	<u>10,043</u>		<u>9,708</u>	
<u>Company</u>				
Variable-rate borrowings	970	4.7	1,310	4.8
Unsecured notes	<u>456</u>	6.9	<u>457</u>	6.9
	<u>1,426</u>		<u>1,767</u>	

The bank loans are secured by:

- (1) Legal mortgage of prepaid lease payments (Note 11) and property, plant and equipment of the Group (Note 13);
- (2) Certain restricted bank deposits, in relation to certain short-term and long-term borrowings (Note 9);
- (3) Certain trade receivables and inventories, in relation to certain short-term and long-term borrowings (Note 10 and 12); and
- (4) Capital stock of certain subsidiaries (Note 17).

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

22 BORROWINGS (cont'd)

Further, the Group and the Company are subject to certain financial covenants and restrictive covenants under certain short-term and long-term borrowings. The restrictive covenants limit, subject to certain exceptions, the incurrence of additional indebtedness, payment of dividends, the making of certain investments or other specified restricted payments; issuance or sale of capital stock of certain subsidiaries, the creation of liens, the issuance of guarantees, asset sales and certain mergers and consolidations.

In 2014, a financial covenant relating to secured bank borrowings amounting to RMB263 million of a subsidiary was not met. Subsequent to the end of the reporting period, the Company obtained a waiver of the breach of the loan covenant from the relevant lender which is prior to the date on which the financial covenant was tested. The bank borrowings were not classified as current as there was no event of default.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

23 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon:

Group	Accelerated accounting depreciation RMB'million	Tax losses RMB'million	Impairment loss on trade receivables RMB'million	Impairment loss on inventories RMB'million	Other payables and accruals RMB'million	Withholding tax on		Unrealised profits RMB'million	Order backlog RMB'million	Total RMB'million
						undistributed profits of subsidiaries RMB'million	undistributed profits of subsidiaries RMB'million			
At January 1, 2014	(50)	64	1	4	251	(91)	118	-	-	297
Credit (Charge) to profit or loss	7	18	-	4	11	(32)	5	-	-	13
Charge to equity	-	-	-	-	19	-	-	-	-	19
Acquisition/Disposal	-	-	-	-	-	13	-	-	-	13
Exchange difference	1	-	-	-	(2)	-	-	-	-	(1)
At December 31, 2014	(42)	82	1	8	279	(110)	123	-	-	341
Credit (Charge) to profit or loss	(7)	5	1	10	(11)	(44)	(27)	3	-	(70)
Arising from acquisition of subsidiary	-	-	-	-	15	-	-	(3)	-	12
Charge to equity	-	-	-	-	(6)	-	-	-	-	(6)
Acquisition/Disposal	-	-	-	-	-	17	-	-	-	17
Exchange difference	3	-	-	-	(8)	-	-	-	-	(5)
At December 31, 2015	(46)	87	2	18	269	(137)	96	-	-	289

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

23 DEFERRED TAX (cont'd)

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

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Deferred tax assets	426	451
Deferred tax liabilities	<u>(137)</u>	<u>(110)</u>
	<u>289</u>	<u>341</u>

Subject to the agreement by the tax authorities, as at December 31, 2015 the Group has unused tax losses of RMB1,033 million (2014 : RMB907 million) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB373 million (2014 : RMB343 million) of such losses for the year ended December 31, 2015. No deferred tax asset has been recognised in respect of the remaining RMB660 million (2014 : RMB564 million) for the year ended December 31, 2015 due to the unpredictability of future profit streams. The unrecognised tax losses of RMB564 million and RMB660 million for the years ended December 31, 2014 and 2015 will expire in 2014 to 2018 and 2015 to 2019 respectively.

The unrecognised tax losses that expired for the year ended December 31, 2015 was RMB8 million (2014 : RMB6 million).

At December 31, 2015, the Group has deductible temporary differences of RMB652 million (2014 : RMB701 million). No deferred tax asset has been recognised in relation to the deductible temporary differences of RMB1,032 million (2014 : RMB649 million) as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, temporary differences are associated with undistributed earnings of an investment in an associate for which deferred tax liabilities have not been recognised. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

24 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The employees of the Group are members of state-managed retirement benefits plans, operated by relevant governmental authorities in those countries. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total amounts contributed by the Group to the schemes and charged to the profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the scheme and amounted to RMB285 million and RMB254 million for the years ended December 31, 2015 and 2014 respectively.

Defined benefit plan

The Group operates a defined benefit pension plan for substantially all its permanent employees in the Republic of Indonesia. The benefits under such pension plan have been adjusted to cover minimum benefits under Labor Law No. 12/2003 in the Republic of Indonesia.

The defined benefit plan typically exposes the Group to actuarial risks such as: interest rate risk, longevity risk, and salary risk.

Interest rate risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields. As such, an increase in the discount rate will decrease the plan's liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The actuarial valuation of the present value of the defined benefit obligation was carried out at December 31, 2015 and 2014 by two independent actuaries, PT Milliman Indonesia and PT Dayamandiri Dharmakonsilindo. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

24 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	<u>2015</u>	<u>2014</u>
Discount rate per annum	9.0%	8.0%
Salary increment rate per annum	9.5%-10%	8.5%
Normal retirement age	55 years/age	55 years/age
Mortality rate	100% TMI ¹ 3	100% TMI ¹ 3
Disability rate	<u>10% TMI¹ 3</u>	<u>10% TMI¹ 3</u>

¹ Indonesian Mortality table ("TMI").

Amounts charged (credit) to comprehensive income in respect of these defined benefit plans are as follows:

	Group	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Current service cost	47	40
Interest cost	<u>47</u>	<u>45</u>
Components of defined benefit costs recognised in profit or loss	<u>94</u>	<u>85</u>
Effect of obligation in actuarial assumption	12	49
Actuarial (loss) gain	<u>(2)</u>	<u>33</u>
Components of defined benefit costs recognised in other comprehensive income	10	82
Income tax benefit relating to components of defined benefit costs recognised in other comprehensive income	<u>2</u>	(18)
	<u>12</u>	<u>64</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

24 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

Movements in the present value of defined benefit obligation are as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Opening defined benefit obligation	613	493
Arising from acquisition of subsidiary (Note 34)	54	-
Current service cost	47	40
Interest cost	47	45
Benefit payments	(37)	(32)
Effect of obligation in actuarial assumption	12	49
Post-employment benefit transferred	1	-
Actuarial gain	(2)	33
Currency realignment	(24)	(15)
Closing defined benefit obligation	<u>711</u>	<u>613</u>

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by RMB112 million (2014 : RMB47 million)/ increase by RMB111 million (2014 : RMB54 million).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by RMB131 million (2014 : RMB64 million)/ decrease by RMB113 million (2014 : RMB56 million).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by RMB1 million (2014 : RMB1 million)/ decrease by RMB1 million (2014 : RMB1 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior year.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

25 SHARE CAPITAL

	<u>Group and Company</u>			
	<u>2015</u> Number of ordinary shares 'million	<u>2014</u> Number of ordinary shares 'million	<u>2015</u> RMB'million	<u>2014</u> RMB'million
Issued and paid up:				
At beginning and end of the year	<u>2,400</u>	<u>2,400</u>	<u>1,758</u>	<u>1,758</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

26 DERIVATIVE FINANCIAL INSTRUMENTS

	<u>Group</u>			
	<u>2015</u> <u>Assets</u> RMB'million	<u>2015</u> <u>Liabilities</u> RMB'million	<u>2014</u> <u>Assets</u> RMB'million	<u>2014</u> <u>Liabilities</u> RMB'million
Forward foreign exchange contracts	<u>-</u>	<u>8</u>	<u>12</u>	<u>-</u>

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	<u>Group</u>	
	<u>2015</u> RMB'million	<u>2014</u> RMB'million
Forward foreign exchange contracts	<u>21</u>	<u>25</u>

Changes in the fair value of the derivative financial instruments amounting to RMB20 million (2014 : RMB26 million) have been charged to profit or loss in the year.

The following table details the forward foreign currency contracts outstanding as at the end of the reporting period:

<u>Outstanding contracts</u>	<u>Average exchange rate</u>		<u>Foreign currency</u>		<u>Contract value</u>		<u>Fair value</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
			FC\$'million		RMB'million		RMB'million	
Sell Euro	<u>7.1</u>	<u>8.3</u>	<u>3</u>	<u>3</u>	<u>21</u>	<u>25</u>	<u>(8)</u>	<u>12</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

27 REVENUE

	<u>Group</u>
	<u>2015</u> <u>2014</u>
	RMB'million RMB'million
Sales of tires and related products	<u>19,467</u> <u>21,344</u>

28 OTHER INCOME

	<u>Group</u>
	<u>2015</u> <u>2014</u>
	RMB'million RMB'million
Sales of scrap and materials	67 89
Government grants (i)	38 69
Interest income	74 77
Reversal of unclaimed payables	7 1
Net fair value (loss) gain on forward foreign exchange contracts (Note 26)	(20) 26
Net fair value gain on held for trading investment (Note 20)	- 1
Investment income from available-for-sale investments (Note 19)	6 -
Dividend income from equity investments	145 7
Gain on disposal of property, plant and equipment	4 1
Foreign exchange loss	(349) (152)
Loss from disposal of available-for-sale investments	(36) -
Gain from bargain purchase of investment in a subsidiary (Note 34)	79 -
Others	<u>18</u> <u>22</u>
	<u>33</u> <u>141</u>

(i) Income from government grants comprises:

Incentive subsidies	36 68
Investment subsidies	<u>2</u> <u>1</u>
Amounts included in other income	38 69
Value-added tax refund related to depreciable assets	<u>3</u> <u>3</u>
Total government grants recognised in profit or loss	<u>41</u> <u>72</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

29 FINANCE COSTS

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Finance costs on:		
Borrowings	658	671
Discounted bills	48	65
Amortisation of capitalised loan arrangement costs	38	42
Other finance costs	<u>86</u>	<u>107</u>
Total borrowing costs	830	885
Less: Finance costs capitalised	<u>(4)</u>	<u>(4)</u>
	<u>826</u>	<u>881</u>

Borrowing costs capitalised arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.8% (2014 : 5.1%) per annum to expenditure on qualifying assets.

30 INCOME TAX EXPENSE

The tax expense comprises:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Current tax:		
Current year	214	309
(Over) Underprovision in prior years	(21)	12
Withholding tax	<u>18</u>	<u>15</u>
	211	336
Deferred tax (Note 23)	<u>52</u>	<u>(28)</u>
	<u>263</u>	<u>308</u>

Taxation is calculated at the rates prevailing in the relevant jurisdictions.

The Group which has subsidiaries that are tax resident in the PRC, is subject to the PRC dividend withholding tax for the non PRC resident immediate holding company registered in Singapore when and if undistributed earnings are declared to be paid as dividends commencing on January 1, 2008 to the extent those dividends are paid out of profits that arose on or after January 1, 2008. The withholding tax would be charged at a reduced rate of 5% according to the tax treaty concluded between the PRC and Singapore provided that the immediate holding company meets the Singapore tax resident and beneficiary ownership test. Accordingly, deferred tax liabilities for undistributed earnings of RMB137 million (2014 : RMB110 million) has been recognised at the end of the reporting period.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

30 INCOME TAX EXPENSE (cont'd)

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

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Profit before tax	<u>340</u>	<u>1,012</u>
Tax at the PRC domestic income tax rate of 25% (2014 : 25%)	85	253
Tax effect of income not taxable for tax purposes	(41)	(68)
Tax effect of expenses not deductible for tax purposes	93	66
Tax effect of share of results of an associate	11	10
Tax effect of change in tax rate due to new PRC tax regulation	-	6
Effect of tax concessions/concessionary rate/tax exemption granted to PRC subsidiaries	(6)	(19)
(Over) Underprovision in prior years	(21)	12
Tax effect of tax losses not recognised	3	26
Tax effect of deductible temporary differences not recognised	50	(4)
Recognition of deductible temporary differences previously not recognised	13	7
Effects of different tax rate of subsidiaries operating in other jurisdictions	(14)	(25)
Effect of overseas withholding tax	18	15
Withholding tax on undistributed profits of subsidiaries	44	32
Recognition (Utilisation) of tax losses not previously recognised	35	(1)
Others	<u>(7)</u>	<u>(2)</u>
Tax expense for the year	<u>263</u>	<u>308</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

31 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Amortisation of intangible assets*	20	6
Amortisation of goodwill*	2	-
Depreciation of property, plant and equipment	1,013	972
Depreciation of investment properties	2	-
Impairment loss recognised on property, plant and equipment*	11	23
Impairment loss recognised on trade receivables*	6	2
Impairment loss (reversed) recognised on inventories*	(1)	44
Net foreign exchange loss	349	152
Release of prepaid lease payments to profit or loss	43	64
Research and development costs	324	292
Net fair value (loss) gain on forward foreign exchange contracts (Note 26)	(20)	26
Net fair value gain on held for trading investment (Note 20)	-	1
Gain from bargain purchase of investment in subsidiary (Note 34)	(79)	-
Loss from disposal of available-for-sale investments	36	-
Employee compensation and benefits, including directors' remuneration:		
Salaries, wages and other benefits	3,086	2,503
Retirement benefits scheme contributions	<u>285</u>	<u>254</u>
Total staff costs	<u>3,371</u>	<u>2,757</u>

* Amortisation/Impairment loss is included in administrative expenses.

32 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segment

The Group operates and manages its business as a single operating segment in manufacture and sales of tire and related products. The management reviews the consolidated results prepared based on FRS when making decisions about allocating resources and assessing performance of the Group.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

32 BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Information about sales of principal products

The Group's sales of principal products are as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million
Trucks and buses radial tires	5,030	5,671
Passenger cars radial tires	10,473	11,300
Bias tires	1,838	2,334
Motorcycles radial tires	1,434	1,583
Others	<u>692</u>	<u>456</u>
	<u>19,467</u>	<u>21,344</u>

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RMB'million	RMB'million	RMB'million	RMB'million
People's Republic of China	7,350	7,986	6,055	6,154
United States of America	4,026	3,653	539	296
Indonesia	3,878	4,166	4,912	4,512
Europe	1,597	1,913	13	12
Others	<u>2,616</u>	<u>3,626</u>	<u>725</u>	<u>703</u>
Total	<u>19,467</u>	<u>21,344</u>	<u>12,244</u>	<u>11,677</u>

Others include mainly Asia (excluding PRC), Middle East and other regions.

Information about major customers

There are no revenues from transactions with a single external customer amounting to 10 per cent or more of the Group's revenue for the years ended December 31, 2014 and 2015.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

33 DIVIDENDS

On January 17, 2014, a final one-tier tax exempt dividend of RMB0.030 per share (total dividend of RMB73 million) was declared to shareholders in respect of financial year ended December 31, 2013.

34 ACQUISITION OF SUBSIDIARY

On September 30, 2015, the Group obtained control in PT. KMI Wire and Cable Tbk by owning 48.83% of equity interest for an estimated cumulative consideration of US\$18.8 million (equivalent to RMB117 million), of which RMB58 million was paid during the year. This transaction has been accounted for by the acquisition method of accounting.

Acquisition-related costs have been recognised as an expense during the year.

The fair value of the identifiable assets acquired and liabilities assumed and the cash flow effect on the acquisition are as follows:

	<u>2015</u> RMB'million
Current assets	
Cash and cash equivalents	6
Restricted cash	16
Trade and other receivables	214
Inventories	<u>210</u>
Total current assets	<u>446</u>
Non-current assets	
Property, plant and equipment	114
Other non-current assets	4
Intangible assets	12
Deferred tax assets	<u>15</u>
Total non-current assets	<u>145</u>
Current liabilities	
Trade and other payables	(113)
Borrowings	(75)
Income tax payable	<u>(1)</u>
Total current liabilities	<u>(189)</u>
Non-current liability	
Borrowings	(26)
Post-employment benefits	(54)
Deferred tax liability	<u>(3)</u>
Total non-current liabilities	<u>(83)</u>

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

34 ACQUISITION OF SUBSIDIARY (cont'd)

2015
RMB'million

Consideration paid for 11.82% (Note a)	19
Fair value of non-controlling interests of 51.17%	163
Fair value of previously held interests of 37.01%	58
Identifiable net assets acquired	<u>(319)</u>
Negative goodwill arising on acquisition	<u>(79)</u>

(a) The amount relates to the final consideration paid for the acquisition that resulted in the Group increasing its equity interests from 37.01% to 48.83%.

Net cash outflow on acquisition of subsidiary

2015
RMB'million

Consideration paid in cash	58
Less: Cash and cash equivalent balances acquired	<u>(6)</u>
	<u>52</u>

The negative goodwill arising on the acquisition of RMB79 million is included in other income of the Group. The gain on acquisition arises due to the fair value of the identifiable net assets being higher than the market share prices traded on the Jakarta Stock Exchange on the date of acquisition.

Impact of acquisition on the results of the group

Had the above business combination been effected on January 1, 2015, the revenue of the Group for the year ended December 31, 2015 would have been RMB20,319 million, and the profit for the year ended December 31, 2015 would have been RMB118 million. The management of the Group considers these numbers to represent an approximate measure of the performance of the consolidated Group basis and to provide a reference point for comparison in future periods.

GITI TIRE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

35 CAPITAL COMMITMENTS

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
Capital expenditure in respect of acquisition of property, plant and equipment and construction in progress contracted for but not provided in the financial statements	1,874	651
Capital commitment in respect of held for trading investment in an investment fund	<u>-</u>	<u>1</u>

The Company has no capital commitments at the end of each reporting period.

36 OPERATING LEASES

The Group as lessee

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
Minimum lease payments paid under operating leases in the year in respect of office premises	<u>97</u>	<u>94</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<u>2015</u> RMB'million	<u>Group</u> <u>2014</u> RMB'million
Within one year	80	54
In the second to fifth years inclusive	125	89
Over five years	<u>54</u>	<u>66</u>
	<u>259</u>	<u>209</u>

Operating lease payments represent rental payables by the Group for certain properties. Leases are negotiated and rentals are fixed for terms from 1 to 10 years.

The Company has no commitments under operating leases at the end of the reporting period.