2021
ANNUAL REPORT

XINGDA
兴 达

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

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Mr. KOO Fook Sun, Louis
Mr. William John SHARP *(Vice Chairman)*
Ms. XU Chunhua

AUDIT COMMITTEE

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

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

INVESTOR RELATIONS

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

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:
Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586,
Gardenia Court, Camana Bay, Grand Cayman,
KY1-1100, Cayman Islands

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

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	2021	2020	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**10,645.3**	7,679.9	+38.6%
Gross profit	**2,064.9**	1,528.5	+35.1%
EBITDA[(1)]	**1,192.8**	980.5	+21.6%
Profit for the year	**307.0**	175.4	+75.0%
Profit attributable to owners of the Company	**218.9**	115.0	+90.3%
Earnings per share – basic (RMB cents)	**13.46**	7.39	+82.1%
Earnings per share – diluted (RMB cents)	**13.37**	7.35	+81.9%

	2021	2020	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**19,802.2**	15,694.8	+26.2%
Total liabilities	**12,191.6**	8,115.8	+50.2%
Net assets	**7,610.6**	7,579.0	+0.4%
Equity attributable to owners of the Company	**5,699.9**	5,657.6	+0.7%

	2021	2020
KEY RATIOS		
Gross profit margin[(2)]	**19.4%**	19.9%
EBITDA margin[(3)]	**11.2%**	12.8%
Return on equity[(4)]	**3.8%**	2.0%
Current ratio[(5)]	**1.10**	1.11
Gearing ratio[(6)]	**28.0%**	22.9%
Net debts to equity ratio[(7)]	**84.9%**	47.4%

Notes:

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

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

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

(5) Current assets divided by current liabilities.

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") for the year ended 31 December 2021.

Both the global economy and the Chinese economy have continued to recover from the impact of 2020's COVID-19 pandemic, and, as a result, the Group recorded steady growth in its 2021 business. During the year, the Group's revenue increased by 38.6% year-on-year to RMB10,645 million (2020: RMB7,680 million). Gross profit grew by 35.1% year-on-year to RMB2,065 million (2020: RMB1,529 million), while gross profit margin decreased by 0.5 percentage point year-on-year to 19.4% (2020: 19.9%), mainly due to the uptrend of raw material prices in year 2021 with a time lag in passing through the extra costs to the customers. Profit attributable to owners of the Company rose by 90.3% year-on-year to RMB219 million (2020: RMB115 million). Basic earnings per share were RMB13.46 cents (2020: RMB7.39 cents). The Board of Directors recommended the payment of a final dividend of 15.0 HK cents per share for the year ended 31 December 2021 (2020: 15.0 HK cents per share).

The Chinese economy experienced strong growth momentum in the second half of 2020, and this momentum was sustained in the first half of 2021 thanks to the remarkable results of the nation's anti-pandemic efforts and the Chinese government's internal circulation policy. Given the strong domestic demand and active economic activities, the radial tire cord industry saw rapid growth. In the second half of 2021, the slow down of domestic GDP growth and the temporary electricity curtailment policy implemented in some provinces, which affected production and demand of domestic radial tire cords to some extent. However, the sales volumes of radial tire cords still recorded growth for the year as a whole.

Regarding overseas markets, the easing of the pandemic since the first half of 2021 resulted in a surge in economic activities and logistics demand around the world, which in turn has driven the increased demand for tires for cars and trucks. With production levels returning to normal, overseas tire manufacturers needed to increase their radial tires inventory. In addition, due to the earlier recovery of domestic production amid the pandemic, a relatively stable industrial chain operation in China has become a competitive advantage in overseas markets. Consequently, China's radial tire cord exports have increased steadily in 2021.

On 18 June 2021, the Group announced a scrip dividend scheme ("Scrip Dividend Scheme"). Shareholders of the Company were provided with an option to receive an allotment of new shares of HK$0.1 each in the capital of the Company (the "Scrip Shares") in lieu of the 2020 Final Dividend of HK15.0 cents in cash. The issue price of the Scrip Shares was HK$1.76 per share. Based on this scheme, the Company's controlling shareholders elected to receive their 2020 final dividends partly in scrip shares and partly in cash. Eventually, they were allotted a total of 7,000,000 scrip shares of the Company. The controlling shareholders continuously elected to receive scrip dividends, reflecting their full confidence in the Company's long-term development.

During the year under review, the management and I increased our holdings of a total of 30,198,000 shares on the Stock Exchange of Hong Kong, which demonstrates the management's confidence in the Group's prospects.

The Group announced the proposed spin-off of the tire-related business operated by Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda"), the Company's non-wholly owned subsidiary, by way of A shares listing on a stock exchange in China. The proposal was submitted to The Stock Exchange of Hong Kong on 20 November 2020. On 20 April 2021, the Jiangsu Province Regulatory Bureau of the China Securities Regulatory Commission (the "CSRC") accepted the application filed by the sponsor for the commencement of the pre-listing tutoring process in relation to the proposed spin-off and separate listing of Jiangsu Xingda.

Looking ahead, the Chinese government is set to prioritize stability as the most important factor in its policy in 2022, and will therefore adopt the approach of maintaining stability while seeking progress. It will introduce various fiscal and monetary policies to stimulate the economy. Every country around the world is also actively dealing with the evolving pandemic situation and gradually resuming normal economic activities. Thus, the global demand for automotive tires is expected to continue rising, which will help stimulate the demand of the steel cord industry. However, there are still many uncertainties amid the pandemic. Tight supply chains and inflation may also affect the pace of global economic rebound, so the Group will closely monitor the impact of the pandemic on the global economy and the development prospects of the radial tire cord industry. The management remains cautiously optimistic about the industry's development in 2022.

In 2022, the Group will continue to grasp the business opportunities arising from the domestic market and it will also continue to map out a flexible global marketing strategy. Xingda will strive to optimize the product structure and quality of its radial tire cords in order to further consolidate its leading position in the market.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to shareholders, the management and all employees for their contributions to the Group. In addition, the Group will continue to remain vigilant and adopt a number of strict pandemic preventive measures to ensure its operations are unaffected and to protect the health of its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to data from the China Rubber Industry Association, China's tire output in 2021 increased by approximately 10% to approximately 697 million units, of which radial tires output increased by 10% year-on-year to approximately 657 million units. The tire radialization rate remained at 94% (2020: approximately 94%). During the year, the output of radial tires for trucks was approximately 140 million units, an increase of 1% year-on-year and the output of radial tires for passenger cars was approximately 517 million units, an increase of 13% year-on-year.

In 2021, boosted by rising export demand and the country's development of an economy stressing internal circulation, China's GDP grew by 8.1% to approximately RMB114.4 trillion, making it one of best performing economies in the world amid the pandemic. In addition, after China's car parc surpassed that of the US and ranked first in the world at the end of 2020, statistics from the Ministry of Public Security of the PRC reveal that, in the year under review, China's car parc further increased by around 7.5% year-on-year to 302 million, a record high. The stable growth of China's economy and increase in car parc have supported the demand in the domestic tire replacement market.

BUSINESS REVIEW

In 2021, the Chinese economy overall continued to recover, driving the demand for radial tire cords in the domestic market. The demand in the first half of the year was particularly strong, and this, coupled with the steady increase in demand in overseas markets, drove the growth of the Group's business. In 2021, the Group recorded total sales volume of 1,077,600 tonnes, an increase of 22.1% year-on-year. The sales volume of radial tire cords increased by 20.4% year-on-year to 851,400 tonnes, accounting for 79.0% of the Group's total sales volume (2020: 80.1%). The sales volume of bead wires rose 24.1% to 130,400 tonnes, accounting for 12.1% of the Group's total sales volume (2020: 11.9%). The sales volume of hose wires and other wires climbed by 36.7% to 95,800 tonnes, accounting for 8.9% of the Group's total sales volume (2020: 7.9%).

In terms of market segments, the further resumption of economic activities in China has driven the sales volume of radial tire cords for trucks up 15.5% year-on-year to 504,600 tonnes, and the sales volume of radial tire cords for passenger cars increased by 28.3% year-on-year to 346,800 tonnes.

Sales Volume

	2021	2020	Change
	Tonnes	*Tonnes*	
Radial tire cords	**851,400**	707,000	+20.4%
– *For trucks*	***504,600***	*436,800*	*+15.5%*
– *For passenger cars*	***346,800***	*270,200*	*+28.3%*
Bead wires	**130,400**	105,100	+24.1%
Hose wires and other wires	**95,800**	70,100	+36.7%
Total	**1,077,600**	882,200	+22.1%

BUSINESS REVIEW – *CONTINUED*

Sales Volume – *Continued*

In China market, the sales volume of the Group's radial tire cords increased by 9.7% to 607,000 tonnes in 2021 (2020: 553,100 tonnes). This was mainly attributable to the robust demand for the Group's products in China, particularly in the first half of the year, which even led to supply shortages. Although the sales volume of the Group's radial tire cords dropped slightly in the second half of the year under the slow down of domestic GDP growth and the temporary electricity curtailment policy implemented in certain provinces in China, the growth in annual sales volume still remained strong. During the year under review, the growth in overseas demand was relatively stable and the sales volume of the Group's radial tire cords increased by approximately 58.8% to 244,400 tonnes in 2021 (2020: 153,900 tonnes), mainly due to the resumption of normal production levels of overseas tire manufacturers in the whole year of 2021 and the need to restock radial tires subsequent to temporary shutdown of production facilities in 2020. During the year, the sales volumes in domestic and overseas markets constituted 71.3% and 28.7%, respectively, of the Group's total sales volume of radial tire cords (2020: 78.2% and 21.8%).

To address the strong demand for radial tire cords from the market, the Group enhanced the production capacity of its Jiangsu and Shandong factories by upgrading technologies and increasing production lines in 2021. As a result, the production capacity of the Jiangsu factory increased by 14.4% to 738,000 tonnes, and the production capacity of the Shandong factory increased by 29.7% to 144,000 tonnes. The annual production capacity of Xingda's plant in Thailand also increased by 42.9% to 60,000 tonnes. As at 31 December 2021, the Group's annual production capacity of radial tire cords increased by 18.0% year-on-year to 942,000 tonnes. The annual production capacity of bead wires, hose wires and other wires also rose to 166,500 tonnes and 98,500 tonnes, respectively. The overall capacity utilization rate of the Group's plants in 2021 was 92.2% (2020: 87.6%).

	2021 Production Capacity *(Tonnes)*	2021 Utilization Rate	2020 Production Capacity *(Tonnes)*	2020 Utilization Rate
Radial tire cords	**942,000**	93.5%	798,000	87.2%
Bead wires	**166,500**	80.1%	112,500	92.1%
Hose wires and other wires	**98,500**	98.7%	82,100	85.7%
Overall	**1,207,000**	92.2%	992,600	87.6%

Product technology reform is the key to production capacity improvement and business presence expansion. In a bid to meet different customer needs, the Group has devoted resources to enhance product research and development and offer customized radial tire cords to customers. It provided a wide range of products, including 424 types of radial tire cords and 185 types of bead wires, hose wires and other wires as at the end of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

RMB in million	**2021**	**Proportion**	2020	Proportion	Change
Radial tire cords	**9,019.5**	**84.7%**	6,626.9	86.3%	+36.1%
– *For trucks*	***5,494.6***	**51.6%**	*4,192.9*	*54.6%*	*+31.0%*
– *For passenger cars*	***3,524.9***	**33.1%**	*2,434.0*	*31.7%*	*+44.8%*
Bead wires	**869.7**	**8.2%**	569.9	7.4%	+52.6%
Hose wires and other wires	**756.1**	**7.1%**	483.1	6.3%	+56.5%
Total	**10,645.3**	**100.0%**	7,679.9	100.0%	+38.6%

During the year under review, the Group's revenue increased by 38.6% year-on-year to RMB10,645.3 million (2020: RMB7,679.9 million), mainly due to the growth in total sales volumes and the increased average selling prices of the Group's products.

Gross profit and gross profit margin

The Group's gross profit increased by RMB536.4 million or 35.1% year-on-year to RMB2,064.9 million (2020: RMB1,528.5 million). This was mainly due to the increase in both sales volume and average selling prices of the Group's products. The gross profit margin dropped by 0.5 percent point to 19.4% (2020: 19.9%). The decrease in gross profit margin was mainly due to the uptrend of raw material prices in year 2021 with a time lag in passing through the extra costs to the customers.

Other income

Other income increased by RMB30.6 million or 19.2% to RMB189.8 million (2020: RMB159.2 million), mainly due to the increase in sales income of scrap materials and increase in bank interest income which was derived from placing fixed bank deposits and bank balances.

Government grants

During the review period, government grants increased by RMB2.2 million or 12.0% to RMB20.6 million (2020: RMB18.4 million), due to an increase in subsidies from the local government in China.

FINANCIAL REVIEW – *CONTINUED*

Distribution and selling expenses

Distribution and selling expenses increased by RMB434.6 million or 77.0% to RMB999.3 million (2020: RMB564.7 million), mainly due to the higher transportation and storage costs under higher export sales volume and inflated shipment fees.

Administrative expenses

Administrative expenses decreased by RMB99.9 million or 17.7% to RMB463.4 million (2020: RMB563.3 million), mainly due to the share-based payment of 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co. Ltd.*)("Jiangsu Xingda") of RMB141.1 million in 2020, which was the cost of rewarding the management of Jiangsu Xingda, whereas there were no such expenses for the year ended 31 December 2021. The decrement in administrative expenses was partially offset by an increase in salaries and pension provision since there was a special incentive and relief on pension contributions provided to the Group in 2020 under the COVID-19 pandemic.

Other gain and losses, net

Other gains and losses, net increased by RMB32.1 million or 62.2% from net loss of RMB51.6 million in 2020 to net loss of RMB83.7 million in 2021. It was mainly due to an increase in net foreign exchange loss and an increase in loss on change in fair value of financial assets at fair value through profit or loss.

Impairment losses under expected credit loss model, net of reversal

Impairment losses under expected credit loss model, net of reversal changed from reversal of an impairment loss of RMB7.4 million in 2020 to an impairment loss of RMB7.5 million in 2021, with a decrease by RMB14.9 million or 201.4%. It was mainly attributable to an increase in an accumulated loss recognised on trade receivables under impairment assessment by reference to expected credit loss model in 2021.

Research and development expenditure

Research and development expenses increased by RMB30.3 million or 27.9% to RMB138.8 million (2020: RMB108.5 million), mainly due to the Group's ongoing effort on allocating more resources to boost production technique advancement, to enhance products diversity and to reduce emission.

Finance costs

Finance costs increased by RMB62.4 million or 60.7% to RMB165.2 million (2020: RMB102.8 million) if the amount capitalised in the cost of qualifying assets of RMB1.8 million in 2021 (2020: RMB21.8 million) was excluded. The increase was mainly due to the rise of average balance of bank borrowings.

FINANCIAL REVIEW – *CONTINUED*

Income tax expense

The Group's income tax expense decreased by RMB57.0 million or 33.7% to RMB112.0 million (2020: RMB169.0 million), and with an effective tax rate of 26.7% (2020: 49.1%). If the Jiangsu Xingda's share-based payment of RMB270.9 million in 2020 was excluded, the effective tax rate would become 26.7% (2020: 27.5%).

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2021 increased by RMB131.6 million or 75.0% to RMB307.0 million (2020: RMB175.4 million). If the Jiangsu Xingda's share-based payment of RMB270.9 million was excluded, the adjusted net profit of the Group for the year ended 31 December 2020 would be RMB446.3 million. The Group's net profit for the year ended 31 December 2021 decreased by RMB139.3 million or 31.2% to RMB307.0 million.

Reconciliation of report profit and underlying profit

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
Profit for the year	**306,965**	175,448
Share-based payment of Jiangsu Xingda	**–**	270,848
Underlying profit for the year	**306,965**	446,296
Underlying profit for the year attributable to:		
Owners of the Company	**218,855**	313,067
Non-controlling interests	**88,110**	133,229
	306,965	446,296

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year under review, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was the cash flow generated from financing activities whereas the principal uses of cash were for the acquisition of property, plant and equipment and right-of-use assets and payment of income tax.

Cash and cash equivalents including bank deposits and bank overdrafts of the Group decreased by RMB178.6 million or 20.0% from RMB891.0 million as at 31 December 2020 to RMB712.4 million as at 31 December 2021. The decrease was mainly due to the cash that has been used in investment activities of RMB1,686.3 million and operating activities of RMB94.5 million and the decrease in cash under the effect of foreign exchange rate changes of RMB16.3 million exceeding the cash generated from financing activities of RMB1,618.5 million.

The total of borrowings and bank overdrafts increased by RMB1,955.3 million or 54.4% to RMB5,549.5 million as at 31 December 2021 from RMB3,594.2 million as at 31 December 2020. The bank borrowings carry interest at fixed rates from 0.60% to 4.85% (2020: 2.70% to 4.79%) and variable rate at 2.30% (2020: 2.40%). Borrowings of RMB4,789.5 million are repayable within one year from 31 December 2021 and the remaining borrowings of RMB760.0 million are repayable after one year from 31 December 2021.

As at 31 December 2021, the Group's current assets increased by RMB4,388.7 million or 55.3% to RMB12,321.5 million (31 December 2020: RMB7,932.8 million). Current liabilities increased by RMB4,032.9 million or 56.6% to RMB11,154.7 million (31 December 2020: RMB7,121.8 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.10 times (31 December 2020: 1.11 times). The decrease was mainly caused by the increase in trade, bills and other payables and borrowings – due within one year included in the current liabilities. The gearing ratio (being defined as total debts to total assets) as at 31 December 2021 was 28.0% (31 December 2020: 22.9%).

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and Euros. Part of the sales proceeds in US dollars and Euros have been used to purchase imported raw materials in the same currencies. Therefore, the effect upon fluctuation of Renminbi exchange rate on the Group's business performance in 2021 has been lessened.

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

CAPITAL EXPENDITURE

For the year ended 31 December 2021, capital expenditure for property, plant and equipment amounted to RMB1,944.6 million (2020: RMB638.9 million). The capital expenditure for property, plant and equipment was met by the internal resources of the Group and borrowings..

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had made a capital commitment of approximately RMB360.0 million (31 December 2020: RMB594.8 million) for acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted as at 31 December 2021 and 31 December 2020. The capital commitment is expected to be met by the internal resources of the Group and borrowings.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2021 and 31 December 2020.

PLEDGE OF ASSETS

As at 31 December 2021, the Group's bank borrowings are secured by pledged term deposits, leasehold lands and bills receivables.

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan Holdings Limited (formerly known as Prinx Chengshan (Cayman) Holding Limited)("Prinx Chengshan", stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK$71.4 million. The shares held by Xingda accounted for 1.9% (2020: 1.9%) of the total issued shares of Prinx Chengshan as at 31 December 2021. Prinx Chengshan is a modern enterprise focusing on the research and development, manufacturing, sales of tires and the provision of tire full-life-cycle services, and a leading domestic manufacturer in the PRC's commercial all steel radial tire replacement market. The above mentioned investment still exists and a loss on change in fair value of financial assets at fair value through profit or loss of RMB13.1 million was recorded during the year ended 31 December 2021 (2020: loss of RMB0.3 million). For the year ended 31 December 2021, the dividend income received from Prinx Chengshan was RMB1.9 million (2020: RMB2.2 million).

The fair value of the investment in Prinx Chengshan as at 31 December 2021 was RMB71.3 million (2020: RMB84.4 million). The above mentioned investment accounted for 0.4% and 0.5% of the total assets value of the Group as at 31 December 2021 and 31 December 2020 respectively.

SIGNIFICANT INVESTMENTS – *CONTINUED*

On 4 March 2021, an agreement was entered into between Jiangsu Xingda, an indirect non-wholly owned subsidiary of the Company, and Guizhou Tyre Co., Ltd. ("Guizhou Tyre") for the subscription by Jiangsu Xingda of 15,873,015 new A shares issued by Guizhou Tyre at RMB6.30 per share in cash under a non-public offer. The subscription monies of approximately RMB100.0 million were satisfied by internal resources of the Group. For details, please refer to the announcement of the Company dated 4 March 2021.

In December 2021, 3,152,615 Guizhou Tyre shares were disposed and the remaining 12,720,400 shares held by Xingda accounted for 1.5% of the entire issued shares of Guizhou Tyre as at 31 December 2021. Guizhou Tyre is a joint stock limited company incorporated in the PRC principally engaged in the design, research and development, manufacture and sale of tires. The issued A shares of Guizhou Tyre are listed on the Shenzhen Stock Exchange (stock code: 000589). The above mentioned investment still exists and a loss on change in fair value of financial assets at fair value through loss of RMB1.1 million was recorded during the year ended 31 December 2021 (2020: nil). For the year ended 31 December 2021, the dividend income received from Guizhou Tyre was RMB2.4 million (2020: nil).

The fair value of the investment in Guizhou Tyre as at 31 December 2021 was RMB78.2 million (31 December 2020: nil). The above mentioned investment accounted for 0.4% and nil of the total assets value of the Group as at 31 December 2021 and 31 December 2020 respectively.

Save as disclosed above, the Group had no other significant investments for the years ended 31 December 2021 and 2020 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures during the year ended 31 December 2021.

HUMAN RESOURCES

As at 31 December 2021, the Group had approximately 7,800 full time employees (31 December 2020: approximately 7,100). Total staff costs including directors' remuneration for the year ended 31 December 2021 was RMB909.0 million (2020: RMB1,048.7 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as awareness of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, Jiangsu Xingda, Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and Taizhou Xingda Specialized Wires Co., Ltd. ("Taizhou Xingda") contribute 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the year ended 31 December 2021, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB14.9 million (2020: RMB13.2 million).

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

In 2009, the Board adopted a share award scheme to retain elite employees and encourage them to achieve performance goals by aligning their interests to the shareholders through share ownerships. Shares are to be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the selected employees until such shares are vested in them.

HUMAN RESOURCES – *CONTINUED*

In 2010, 5,000,000 shares of the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the "Third Batch Shares"). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the "Fourth Batch Shares"). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the "Fifth Batch Shares"). In 2020, 732,018 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. On 30 July 2021, 665,471 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. For the year ended 31 December 2021, 102,000 Fourth Batch Shares were unvested and added to the Fifth Batch Shares. As at 31 December 2021, the balance of the Fifth Batch Shares was 5,323,665 shares.

As at 31 December 2021, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and the Fourth Batch Shares have been vested with selected employees. The 5,323,665 Fifth Batch Shares are expected to be vested with selected employees in a three-year period from 2022 to 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

COVID-19 variants have continued to spread around the world in early 2022. Nevertheless, with countries accelerating their booster vaccination rollouts and launching various new drugs for the treatment of COVID-19 in 2022, economic activities are expected to further increase, driving demand for radial tire cords. Although World Health Organization experts are hopeful that the pandemic may subside in 2022, the tight supply of automotive chips, interest rate hikes and pressure from rising raw material costs and freight rates have created uncertainty for the pace of economic recovery at home and abroad. Overall, the Group remains cautiously optimistic about short-term industry prospects.

The Chinese government will focus on realizing stability, sustaining progressive growth and achieving its "Six Stability" and "Six Security" goals in 2022. In addition to implementing a proactive fiscal policy and healthy monetary policy, the government will also strive to optimize the supply structure with investment. It will also strengthen organic economic development drivers to promote continuous economic growth with the help of investment policies and consumption policies alongside measures to expand domestic demand and allocate funds. The market also expects that the car parc in China will maintain stable growth during the "14th Five-Year Plan" period and global demand for automotive tire strengthening materials will grow moderately in the coming few years, all supporting the mid- to long-term development of the radial tire cord industry.

Xingda will closely monitor the development of the pandemic and implement strategies to complement national policies. It will also invest resources to improve production capacity and product quality, develop high-end products and strengthen the flexible deployment of its factories in various regions so as to seize future business opportunities. The Group aims to realize its advantages as an industry leader to improve management and operational efficiency, and thus targeting to ensure stable business development in 2022.

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 72, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He is the chairman of each of the nomination committee and the manufacturing and operations committee of the Company, and a member of each of the executive committee and investment and international development committee of the Company. He has also been a director of Faith Maple International Ltd. ("Faith Maple") since 16 June 2004, a director of 興達國際(上海)特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.*) ("Xingda International (Shanghai)") since 18 September 2006, a director of 江蘇興達特種金屬複合線有限公司 (Jiangsu Xingda Special Cord Co., Ltd.*) ("Xingda Special Cord") since 13 June 2007 and a director of 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.*) ("Shandong Xingda") since 27 June 2011. Both Faith Maple and Xingda International (Shanghai) are wholly-owned subsidiaries of the Company whereas Xingda Special Cord is a non-wholly owned subsidiary of the Company. He joined Xingda Steel Tyre Cord Group, the predecessor of 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.*) ("Jiangsu Xingda") since May 1994 and has been a director of Jiangsu Xingda since its establishment in 1998. He is also the sole director of Great Trade Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Liu was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by the State Council in 2005. He was recognized as 中國橡膠工業科學發展帶頭人 (Leader in Technology Development in China Rubber Industry*) by the China Rubber Industry Association in April 2005 and was awarded 科技進步獎一等獎 (the Technology Improvement Award (First Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by 中國石油和化學工業協會 (China Petroleum and Chemical Industry Association*) in December 2003 and 全國五一勞動節獎章 (the National 1 May Labor medal*) by 中華全國總工會 (All China Federation of Trade Unions*) in April 2003. He is a senior engineer. Mr. Liu has more than 26 years of experience in the radial tire cord manufacturing industry. He is the father of Mr. Liu Xiang, who is an executive Director of the Company.

Mr. LIU Xiang (劉祥), aged 45, has been an executive Director since August 2005. He is a member of the manufacturing and operations committee of the Company. He has also been a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. He is also the sole director of In-Plus Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan*) of 中國人民解放軍 (the People's Liberation Army*) in 2004. In 2009, he graduated from Fudan University with a master's degree in business administration. Mr. Liu has approximately 26 years of experience in the radial tire cord manufacturing industry. He is the son of Mr. Liu Jinlan, who is an executive Director of the Company.

EXECUTIVE DIRECTORS – *CONTINUED*

Mr. TAO Jinxiang (陶進祥), aged 59, has been an executive Director since August 2005. He is a member of each of the manufacturing and operations committee and investment and international development committee of the Company. He has also been a director of Xingda International (Shanghai) since 18 September 2006, a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 6 June 2016. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in May 1994, and since the establishment of Jiangsu Xingda in 1998, he has been a vice president and a director of the sales and marketing department of Jiangsu Xingda with the overall responsibility of formulating sales and marketing plans. He is also the sole director of Perfect Sino Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. He attended senior sales and marketing executives training classes organized by 職業經理訓練中心 (Executives Training Centre*) of Tsinghua University and obtained a certificate in May 2004. Mr. Tao has more than 26 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 52, has been an executive Director and Chief Financial Officer of the Company since August 2005. He is the chairman of each of the executive committee and investment and international development committee of the Company. He has also been a director of Jiangsu Xingda since 25 January 2003 a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 27 June 2011. He was also a director of Xingda International (Shanghai) from 18 September 2006 to 11 July 2013. He joined Jiangsu Xingda in January 2000 and has been a vice president of Jiangsu Xingda since then. He is responsible for accounting and finance and international market development. From 1995 to 2000, he was the vice president of Clemente Capital (Asia) Limited and was responsible for investment management. Mr. Zhang obtained a bachelor's degree in sciences from Fudan University in July 1991. Mr. Zhang has more than 21 years of experience in the radial tire cord manufacturing industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 65, has been an independent non-executive Director since August 2005. He is the chairman of the audit committee of the Company, and a member of each of the remuneration and management development committee and the nomination committee of the Company. Mr. Koo has many years of experience in investment banking and professional accounting. Mr. Koo was the independent non-executive director of Good Friend International Holdings Inc. ("Good Friend") from December 2005 to 9 January 2022 (in respect of Good Friend, the withdrawal of the listing of the shares of Good Friend on the Stock Exchange became effective on 14 December 2021 and the withdrawal of the listing of the Taiwan depository receipts on the Taiwan Stock Exchange became effective on 13 December 2021). Mr. Koo serves currently as an independent non-executive director of Li Ning Company Limited and Winfull Group Holdings Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). While Mr. Koo has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent non-executive director in various public listed companies. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States of America.

INDEPENDENT NON-EXECUTIVE DIRECTORS – *CONTINUED*

Mr. William John SHARP, aged 80, has been an independent non-executive Director since August 2005. He has been appointed as the Vice Chairman of the Board with effect from 1 January 2016. He is the chairman of the remuneration and management development committee of the Company and a member of the audit committee of the Company. Mr. Sharp is the president of Global Industrial Consulting, a consulting firm. He is also an independent director of China Zenix Auto International Limited, an NYSE-listed manufacturer of commercial vehicle wheels. He joined The Goodyear Tire & Rubber Company in 1964 and was the President of its North American Tire group between 1999 and 2000. Prior to that, he was the President of its Global Support Operations between 1996 and 1999, and the President of Goodyear Europe from 1992 to 1996. While Mr. Sharp has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent director in another public listed company. Mr. Sharp graduated with a bachelor's degree of science, majoring in industrial engineering, from The Ohio State University in 1963 and has more than 54 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 78, has been an independent non-executive Director since August 2005. She is a member of each of the audit committee and nomination committee of the Company. She has served in various positions in Beijing Research and Design Institute of Rubber Industry since 1965. She was the deputy dean in charge of technology research and development between 1995 and 2003. She was also the person in charge of the "高速、低滾動阻力子午線輪胎系列產品生產技術開發" (Development of Production Techniques for Radial Tyre Products of High Speed and Low Rolling Resistance*) project, one of the "九五"國家重點科技攻關項目 (Key Technologies Research and Development Program for the Ninth "Five-Year Plan"*) in 1995. Ms. Xu has been the deputy chairman of the China Rubber Industry Association since 2004. She has been the head of 骨架材料專業委員會(the skeleton materials committee*) and 橡膠助劑專業委員會 (the rubber chemicals committee*) since 2002 and 2001, respectively. Since May 2007, she has served as an independent director of China Sunsine Chemical Holdings Ltd., a company listed on the Singapore Exchange Limited. While Ms. Xu has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that she is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as she has displayed her competence in serving as an independent director in another public listed company. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 54 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 46, is the company secretary of the Company. Mr. Cheng joined the Company as a member of its senior management in July 2008. He has more than 22 years of experience in finance, accounting and auditing. Mr. Cheng worked in accounting firms in Hong Kong from July 1998 to June 2008 before joining the Company. He has been a member of the Hong Kong Institute of Certified Public Accountants since 19 July 2005. Mr. Cheng graduated from The Hong Kong Polytechnic University with the degree of Bachelor of Arts in Accountancy in 1998.

* denotes an unofficial English translation of a Chinese name

DIRECTORS' REPORT

The directors of the Company ("Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of radial tire cords, bead wires and other wires. The Company acts as an investment holding company. The principal activities of the principal subsidiaries of the Company are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and comprehensive income on page 118 of the annual report.

A final dividend of 15.0 HK cents per share for the year ended 31 December 2020 was paid to the shareholders of the Company during the year ended 31 December 2021.

The Board has recommended the payment of a final dividend of 15.0 HK cents (equivalent to approximately RMB12.3 cents) per share for the financial year ended 31 December 2021. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on Monday, 11 July 2022 to the shareholders whose names appear on the register of members of the Company on Monday, 20 June 2022.

EVENT AFTER THE REPORTING PERIOD

There has been no significance event affecting the Group after the financial year ended 31 December 2021 and up to the date of this report.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

In order to sustain a stable development of the Group, we understand that a good and close relationship with employees, customers and suppliers is one of the key factors to achieve it. The Group's key relationships with the employees, customers and suppliers for the year ended 31 December 2021 is set out in the section headed "2021 Environmental, Social and Governance (ESG) Report" on page 54 to 112 of this annual report.

DIVIDEND POLICY

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

(i) the general financial condition of the Group;

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

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

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

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

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

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

(viii) the general market conditions; and

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

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

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

BUSINESS REVIEW

The business review of the Group including a discussion and analysis of the Group's performance for the year ended 31 December 2021 is set out in the section headed Management Discussion and Analysis on pages 6 to 16 of this annual report. The Group's future business development and prospect are provided in the Chairman's Statement on pages 4 and 5 and the Management Discussion and Analysis on pages 6 to 16 of this annual report. Description of uncertainties and possible risks that the Group may be facing can be found in the Chairman's Statement on pages 4 and 5 and the Management Discussion and Analysis on pages 6 to 16 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on the Stock Exchange. The Group has complied with all the relevant laws and regulations in China and Hong Kong during the year ended 31 December 2021.

ENVIRONMENTAL POLICIIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2021 are set out in the section headed "2021 Environmental, Social and Governance (ESG) Report" on pages 54 to 112 of this annual report.

PERMITTED INDEMNITY PROVISION

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3 June 2022 to Thursday, 9 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Thursday, 9 June 2022, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 2 June 2022.

The proposed final dividend for the year ended 31 December 2021 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 9 June 2022. The register of members of the Company will be closed from Thursday, 16 June 2022 to Monday, 20 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 15 June 2022.

DONATION

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the consolidated financial statements, is set out on page 216 of this annual report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year ended 31 December 2021 are set out in notes 16 and 19 to the consolidated financial statements, respectively.

USE OF PROCEEDS

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

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

USE OF PROCEEDS – *CONTINUED*

The table below sets forth the status of the use of net proceeds as at 31 December 2021 and the expected timeline of the use of the unutilised net proceeds:

	Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006 *HKD'000*	Actual utilized funds as at 31 December 2021 *HKD'000*	Balance of net proceeds as at 31 December 2021 *HKD'000*	Expected timeline for utilising the unutilised net proceeds
Expansion of the production capacity of the production facilities	550,000	550,000	–	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	21,785	48,215	On or before 31 December 2023
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000	On or before 31 December 2023
Set-up of international development departments	180,000	93,051	86,949	On or before 31 December 2023
Working capital	37,000	37,000	–	
Total	1,087,000	701,836	385,164	

The remaining amount of approximately HKD385 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Company's prospectus dated 8 December 2006 (the "Prospectus").

The net proceeds from the placing and top-up subscription arrangement completed in September 2010 amounted to approximately HKD740,700,000. As at 31 December 2021, all the net proceeds were utilised for enhancing the production facilities of an indirectly wholly owned subsidiary of the Company and financing the working capital.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 33 to the consolidated financial statements. During the year ended 31 December 2021, 55,517,006 ordinary shares of the Company were issued on election of scrip in lieu of cash dividends pursuant to the Company's scrip dividend scheme for the 2020 final dividend. Further details of the issue of scrip dividends are set out in the Company's circular dated 2 July 2021.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on pages 121 and 122 of this annual report and note 43 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB685.1 million (2020: RMB769.5 million). Under the Companies Law, Cap. 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2021 are set out in note 29 to the consolidated financial statements and the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors:

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

Independent Non-executive Directors:

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

Pursuant to Article 87 of the Articles of Association, Mr. Liu Xiang, Mr. Zhang Yuxiao and Ms. Xu Chunhua will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The biographical details of the Directors and senior management of the Group are set out on pages 17 to 19 of this annual report.

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

RELATED PARTY TRANSACTIONS

Certain related party transactions were entered into by the Group during the year ended 31 December 2021, the details of which are set out in note 38 to the consolidated financial statements. None of these related party transactions constitutes connected transaction or continuing connected transaction which is required to be disclosed under the Listing Rules. Save as disclosed herein, no other related party transactions were entered into by the Group during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of such controlling shareholder's subsidiaries subsisted during the year ended 31 December 2021. There was also no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies ("Model Code") contained in the Listing Rules, were as follows:

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 31 December 2021 *(note 5)*
Liu Jinlan	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 1)*	753,732,457	45.339%
Liu Xiang	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 2)*	753,732,457	45.339%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 3)*	753,732,457	45.339%
Zhang Yuxiao	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 4)*	753,732,457	45.339%
Koo Fook Sun, Louis	Beneficial owner	476,824	0.029%
William John Sharp	Beneficial owner	350,000	0.021%
Xu Chunhua	Beneficial owner	50,000	0.003%

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

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

Notes:

1. Mr. Liu Jinlan held 46,239,275 shares in his own name as at 31 December 2021. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 31 December 2021, Great Trade Limited held 274,104,883 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

2. Mr. Liu Xiang held 18,532,299 shares in his own name as at 31 December 2021. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 31 December 2021, In-Plus Limited held 151,114,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

3. Mr. Tao Jinxiang held 9,864,000 shares in his own name as at 31 December 2021. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 31 December 2021, Perfect Sino Limited held 116,259,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

4. Mr. Zhang Yuxiao held 3,058,000 shares in his own name as at 31 December 2021. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 31 December 2021, Power Aim Limited held 42,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

5. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2021, i.e. 1,662,445,199 shares.

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

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

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 31 December 2021
Liu Jinlan	Interest of controlled corporation *(note 1)*	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	99,000,000	3.46%
Liu Xiang	Interest of controlled corporation *(note 2)*	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	72,000,000	2.52%
Tao Jinxiang	Interest of controlled corporation *(note 3)*	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	54,000,000	1.89%
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,669	0.000058%

Notes:

1. Liu Jinlan is the general partner of 泰州金澤企業管理合夥企業(有限合夥) (Taizhou Jinze Corporate Management Partnership Corporation (Limited Partnership)*) which held 99,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2021.

2. Liu Xiang is the general partner of 泰州業祥企業管理合夥企業(有限合夥) (Taizhou Yexiang Corporate Management Partnership Corporation (Limited Partnership)*) which held 72,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2021.

3. Tao Jinxiang is the general partner of 泰州永業企業管理合夥企業(有限合夥) (Taizhou Yongye Corporate Management Partnership Corporation (Limited Partnership)*) which held 54,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executive's interests and Short Positions in Shares, Underlying Shares and Debentures" and for the share award scheme adopted by the Company, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share award scheme for the year ended 31 December 2021 are set out in note 34 to the consolidated financial statements.

DEED OF NON-COMPETITION

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

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

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

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

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

As at 31 December 2021, the interests of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions and short positions in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	Long position/ Short position	Approximate percentage of issued share capital of the Company as at 31 December 2021 *(note 3)*
Great Trade Limited	Beneficial owner	274,104,883	Long position	16.49%
In-Plus Limited	Beneficial owner	151,114,000	Long position	9.09%
Perfect Sino Limited	Beneficial owner	116,259,000	Long position	6.99%
Hang Youming	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 1)*	753,732,457	Long position	45.34%
FIL Limited	Interests of controlled corporations *(note 2)*	166,244,328	Long position	10.00%
Pandanus Associates Inc.	Interests of controlled corporations *(note 2)*	166,244,328	Long position	10.00%
Pandanus Partners L.P.	Interests of controlled corporations *(note 2)*	166,244,328	Long position	10.00%
Brown Brothers Harriman & Co.	Approved lending agent	81,823,907	Long position	4.92%
		81,823,907	Lending pool	4.92%

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

Long positions and short positions in shares and underlying shares of the Company – *Continued*

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 43,271,000 shares in his own name as at 31 December 2021. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 31 December 2021, Wise Creative Limited held 48,565,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. Pandanus Associates Inc. held 100.00% of Pandanus Partners L.P., which in turn owned 37.01% of the issued share capital of FIL Limited. FIL Limited owned 100% of the issued share capital of FIL Asia Holdings Pte Limited, which in turn owned (i) 100% of the issued share capital of FIL Investment Management (Singapore) Limited; and (ii) 100% of the issued share capital of FIL Investment Management (Hong Kong) Limited. As at 31 December 2021, FIL Investment Management (Singapore) Limited and FIL Investment Management (Hong Kong) Limited held 105,835,395 and 180,005 shares in the Company respectively. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited are deemed to be interested in the shares in the Company held by (i) FIL Investment Management (Singapore) Limited; and (ii) FIL Investment Management (Hong Kong) Limited. FIL Limited also owned 100% of the issued share capital of FIL Holdings (UK) Limited, which owned 100% of the issued share capital of FIL Investment Services (UK) Limited. As at 31 December 2021, FIL Investment Services (UK) Limited held 60,177,923 shares in the Company. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Holdings (UK) Limited are deemed to be interested in the shares of the Company held by FIL Investment Services (UK) Limited. FIL Limited held 51,005 shares in the Company. For the purpose of Part XV of the SFO, Pandanus Associates Inc. and Pandanus Partners L.P. are deemed to be interested in the shares of the Company held by FIL Limited.

3. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2021, i.e. 1,662,445,199 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 31 December 2021 which are required to be recorded in the register maintained under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Human Resources Department on the basis of their merit, qualifications and competence and reviewed by the executive Directors. The Company operates a share award scheme, details of which are set out in note 34 to the consolidated financial statements.

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

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

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

HIGHEST PAID INDIVIDUALS

The relevant information of the five individuals with the highest remuneration in the Group for the year ended 31 December 2021 is disclosed in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 31% of the Group's total revenue and the largest customer contributed approximately 8% of the Group's total revenue for the year ended 31 December 2021. The five largest suppliers represented approximately 80% of the Group's total purchases and the largest supplier represented approximately 54% of the Group's total purchases for the year ended 31 December 2021.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
LIU Jinlan
Chairman

30 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021, except for the following:–

Code provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) provides, among other things, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure that the Board acts in the best interest of the Company. The Company does not have the position of chief executive and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining executive Directors, the Executive Committee of the Company which has been established for determining, approving and overseeing the day-to-day control over the allocation of the Group's resources also segregates the duties of Mr. Liu Jinlan.

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

THE BOARD

Composition and responsibilities

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

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

THE BOARD *(CONTINUED)*

Composition and responsibilities *(Continued)*

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

The Board currently comprises seven members, including four executive Directors and three independent non-executive Directors. The executive Directors are Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao. The independent non-executive Directors are Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua. The biographical details of the Directors are set out on pages 17 to 19 of the annual report. Mr. Liu Jinlan, being the chairman of the Board and an executive Director, is the father of Mr. Liu Xiang, an executive Director. Save for the aforesaid, there is no financial, business, family or other material or relevant relationships among the members of the Board.

The executive Directors are responsible for business management of the Group, formulation and implementation of business strategies, daily business decision and co-ordination of overall business operation. Mr. Liu Jinlan and the other three executive Directors, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao, have many years of experience in the radial tire cord manufacturing industry.

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

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

THE BOARD *(CONTINUED)*

Meetings

The Board will meet regularly at least four times a year. For the year ended 31 December 2021, the Board held four meetings to discuss and approve various important matters. The table below sets out the attendance of each Director at the AGM and the meetings of the Board and other Board committees held during the year ended 31 December 2021:

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

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

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

THE BOARD *(CONTINUED)*

Meetings *(Continued)*

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

Appointment and Re-election

Each of the independent non-executive Directors has signed a letter of appointment for a term of three years which is determinable by either party at any time by giving to the other not less than three months' prior written notice. Thereafter, the term shall continue subject to termination by either party by giving to the other not less than three months' prior written notice. In 2021, all independent non-executive Directors have served the Company for more than 9 years and their further re-appointment shall be subject to a separate resolution to be approved by shareholders in accordance with the requirements of the Corporate Governance Code.

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

Training and continuous professional development

The Directors acknowledge the need to develop and refresh their knowledge and skills by participating in training and continuous professional development courses. During the year, the Company arranged and provided suitable in-house training courses for all Directors in relation to, among others, disclosure of interests, Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") and Listing Rules relating to disciplinary powers and sanctions. The training records kept and provided by the Directors in the year 2021 are as follows:–

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

THE BOARD *(CONTINUED)*

Training and continuous professional development *(Continued)*

During the year ended 31 December 2021, the Company updated all Directors on the Company's monthly performance, position and prospects by providing them with financial data including monthly management accounts and production plan.

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

Indemnification of directors and officers

The Company has arranged for appropriate Directors' and officers' liability insurance throughout the year ended 31 December 2021 to indemnify the Directors and officers for their liabilities arising out of corporate activities. The insurance coverage and premium is reviewed on an annual basis.

BOARD COMMITTEES

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

Audit Committee

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

BOARD COMMITTEES *(CONTINUED)*

Audit Committee *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

BOARD COMMITTEES *(CONTINUED)*

Audit Committee *(Continued)*

During the year ended 31 December 2021, the Audit Committee had four meetings and out of these, three meetings were held with the external auditor. During the meetings held, the Audit Committee had performed the following work:

- reviewing the audited financial statements for the year ended 31 December 2020 and the unaudited financial statements for the six months ended 30 June 2021;
- reviewing and discussing the management letter issued by the external auditor;
- recommending the Board on the remuneration and terms of engagement of the external auditor in respect of the auditing services for the year ended 31 December 2021;
- reviewing the 2020 Environmental, Social and Governance Report;
- reviewing any improprieties raised by the employees under the whistleblowing system regularly and ensuring proper independent investigation was followed; and
- reviewing the risk management and internal control systems of the Group.

On 30 March 2022, the Audit Committee met with a consulting firm to review the 2021 Environmental, Social and Governance Report and the Audit Committee met with the external auditor to review the audited financial statements for the year ended 31 December 2021.

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

BOARD COMMITTEES *(CONTINUED)*

Remuneration and Management Development Committee

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

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

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

The Remuneration Committee met two times during the year ended 31 December 2021. A summary of work performed by the Remuneration Committee during the year is set out below:

- recommending to the Board on the remuneration packages of the Directors and senior management of the Group for the year ended 31 December 2020;

- evaluating and making recommendations to the Board on the remuneration policy of the Directors and senior management of the Group for the year ended 31 December 2021 with reference to the remuneration package of the Board in 2020 and the Group's estimated financial performance for the year ended 31 December 2021;

- approving the granting of new batch of share awards to the employees of the Group under the share award scheme of the Company; and

- approving the vesting of share awards to the employees of the Group upon the achievement of financial performance target of the Group.

BOARD COMMITTEES *(CONTINUED)*

Remuneration and Management Development Committee *(Continued)*

Subsequent to the year ended 31 December 2021, the Remuneration Committee held one meeting on 11 March 2022. At such meeting, the Remuneration Committee:

- considered the performance of the executive Directors and the Group and the total remuneration and compensation of the executive Directors for the year ended 31 December 2021;
- evaluating and making recommendations to the Board on the remuneration policy of the executive Directors and senior management of the Group for the year ending 31 December 2022 with reference to the remuneration package of the Directors in 2021 and the Group's estimated financial performance for the year ending 31 December 2022;
- resolved that the total remuneration and compensation of the Directors and senior management paid for the year ended 31 December 2021 was approved, ratified and recommended to the Board; and
- approving the vesting of share awards to the employees of the Group upon the achievement of financial performance target of the Group in the year 2021.

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

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

	Number of individuals
RMB1,000,000 or below	8
RMB1,000,001–RMB2,000,000	4
RMB3,000,001–RMB4,000,000	1
RMB4,000,001–RMB5,000,000	1
RMB6,000,001–RMB7,000,000	2
RMB10,000,001–RMB11,000,000	1

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2021, the Nomination Committee had one meeting and reviewed the structure, size and composition of the Board in the meeting held. There was no nomination of Directors to fill Board vacancies in the year ended 31 December 2021.

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee *(Continued)*

Board Diversity Policy

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

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

During the year ended 31 December 2021, the Nomination Committee members have reviewed the structure, size composition and diversity of the Board and the Policy to ensure its effectiveness.

Nomination Policy

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

a. the candidate's reputation for integrity;

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

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

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

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

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

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

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee *(Continued)*

Nomination Policy (Continued)

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

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

Executive Committee

The Company established the Executive Committee on 30 September 2005. The principal functions and responsibilities of the Executive Committee are to determine, approve and oversee the day-to-day control over the allocation of the resources of the Group. The Executive Committee consists of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2021.

Manufacturing and Operations Committee

The Company established the Manufacturing and Operations Committee (with the Manufacturing Sub-committee and the Operations Sub-committee) on 30 September 2005. The principal functions and responsibilities of the Manufacturing and Operations Committee and the respective sub-committees are to consider, approve and oversee the Group's day-to-day manufacturing and operations related strategic development and allocations of resources and make recommendations on new initiatives to the Board for approval. The Manufacturing and Operations Committee consists of three Directors, namely Mr. Liu Jinlan, Mr. Liu Xiang and Mr. Tao Jinxiang. The chairman of the Manufacturing and Operations Committee is Mr. Liu Jinlan. The Manufacturing and Operations Committee had one meeting during the year ended 31 December 2021.

Investment and International Development Committee

The Company established the Investment and International Development Committee on 30 September 2005. The principal functions and responsibilities of the Investment and International Development Committee are to consider, approve and oversee the Group's international market development and investment related initiatives and allocations of resources, and make recommendations on new development initiatives to the Board for approval. The Investment and International Development Committee consists of three Directors, namely Mr. Liu Jinlan, Mr. Zhang Yuxiao and Mr. Tao Jinxiang. The chairman of the Investment and International Development Committee is Mr. Zhang Yuxiao. The Investment and International Development Committee had one meeting during the year ended 31 December 2021.

COMPANY SECRETARY

The Company Secretary, Mr. Cheng Kam Ho, took no less than 15 hours of relevant professional training for the year ended 31 December 2021. Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and his biography is set out in the section headed "Directors and Senior Management" on page 19 of this annual report. For the year under review, Mr. Cheng provided his working report to the chairman of the Board, Mr. Liu Jinlan, directly. Mr. Cheng also reported to the Board members on the amendments to the Listing Rules and corporate governance practices particularly relating to director's duties and responsibilities in a timely manner.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Articles of Association in the year ended 31 December 2021. A copy of an up-to-date consolidated version of the Memorandum of Association and Articles of Association has been uploaded and maintained on the websites of the Company and the Stock Exchange.

SHAREHOLDERS RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for shareholders to put forward proposals at a general meeting

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

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

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

SHAREHOLDERS RIGHTS *(CONTINUED)*

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges the responsibilities of overseeing the preparation of the financial statements for the year ended 31 December 2021, which give a true and fair view of the state of affairs of the Group for that year. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on the on-going concern basis. The statement of the external auditor about their reporting responsibilities is set out in the Independent Auditor's Report on pages 113 to 117 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2021, the Group paid approximately RMB2,222,000 and RMB332,000 to the external auditor in respect of audit services and non-audit services, respectively. The non-audit services provided by the external auditor during the year were for performing review on the interim financial statements of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

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

As at the date of the report, the Audit Committee and Board have assessed the risk management and internal controls of the Group for the year ended 31 December 2021. The Company has engaged an independent professional internal control consultant to assist in assessing, reviewing and improving the Group's internal control on accounting system ("Internal Control Review"). After considering the Internal Control Review report and the actions that the Group has taken/to be taken, subject to the implementation of the Enhanced Computerized Module (as defined in the announcement of the Company dated 31 December 2021), both the Audit Committee and the Board consider that the measures recommended by the Company are adequate and sufficient to deal with the findings of the Internal Control Review report and that the Group will formulate an adequate internal control system to meet its obligations under the Listing Rules. For details, please refer to the announcement of the Company dated 17 January 2022. The Company is in the process of implementing the Enhanced Computerized Module, and the independent professional internal control consultant will be further engaged to conduct a review of the effectiveness of the Enhanced Computerized Module in recognizing sales and transportation expenses. The result of the review of the Enhanced Computerized Module will be published as and when appropriate. Save as disclosed, in relation to the assessment on risk management and internal controls of the Group for the year ended 31 December 2021, the assessment result reflects that no significant weakness was found in the risk management system and internal control system of the Group and the risk management and internal control systems are effective and adequate.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL *(CONTINUED)*

Process used to identify, evaluate and manage significant risks

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

Main features of Risk Management and Internal Control Systems

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

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

Risks handling approach

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

RISK MANAGEMENT AND INTERNAL CONTROL *(CONTINUED)*

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

In order to comply with the code provision C.2 (which has been re-arranged as code provision D.2 since 1 January 2022) of the Corporate Governance Code, the enterprise risk assessment and internal control systems review are conducted by the Group during the year ended 31 December 2021. The four aspects of risk assessment and control systems including strategic, financial, operational and compliance are reviewed by Audit Committee and Board. Save as disclosed in this annual report, both the Audit Committee and the Board are satisfied that there has been no major and significant deficiency nor defects noted in the areas of the Group's risk management and internal controls systems. The Board considered that the effectiveness of both risk management system and internal control system are ensured.

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

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

1. the officers' obligations;

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

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

4. circumstances that disclosure is prohibited;

5. disclosure of inside information to the public; and

6. communications with media and investors.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2021.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

In addition to the annual general meeting which is opened to all shareholders and members of the press, the Company holds analysts briefings through various channels to maintain communications between the shareholders and the management of the Company. During the year ended 31 December 2021, the management conducted numerous one-on-one meetings with, and company visits for, various institutional investors and shareholders to assist them to have a better understanding of the Group as well as the global steel cords industry through publicly disclosed information. Comments and advice from the investors were communicated to the management for providing responses in a timely manner. In order to strengthen the communication and interaction with the investors, the Company will continue to focus on enhancing communications with investors through various means by organizing more non-deal roadshows, company visits and meetings in the future.

On 8 June 2021, the Chairman of the Board, as well as Chairman of each of the Board Committees, attended the annual general meeting to answer any questions raised by the shareholders. During that day, the external auditor was also available to answer any questions from the shareholders about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

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

2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Description of the Report

Xingda International Holdings Limited 2021 Environmental, Social and Governance (ESG) Report (the "Report") sets out the principles and performance of Xingda International Holdings Limited (the "Group" or "Xingda") in respect of environmental, social and governance (ESG) for the year 2021, which includes issues related to environmental and social sustainability that are of concern to key stakeholders.

- Basis of the Report

  The report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "SEHK") (effective from January 2022).

- Principles of the Report

  The report follows the reporting principles of the SEHK's *Environmental, Social and Governance Reporting Guide,* including

Materiality

In accordance with the principle, the report identifies issues to be focused on in the report through materiality analysis, and highlights matters related to environmental, social and governance issues that may have a significant impact on investors and other stakeholders.

Quantitative

In accordance with the principle, the report discloses key quantitative performance indicators, explains the meaning of the indicators, and provides the basis for calculation and assumptions.

Balance

In accordance with the principle, the content of the report reflects objective facts and discloses indicators involving both positive and negative information.

Consistency

In accordance with the principle, the report explains the meaning of the disclosed ESG key quantitative performance indicators and the basis for their calculation and assumptions. The indicators are consistent across different reporting periods to reflect trends in performance.

Description of the Report – *CONTINUED*

- Scope of the Report

Organizational scope: Unless otherwise stated, the report covers Xingda International Holdings Limited and its subsidiaries, which are in line with the entities covered in the company's annual consolidated financial statements. The include the Group's manufacturing bases in Jiangsu Province ("Jiangsu Xingda" and "Taizhou Xingda") and Shandong Province ("Shandong Xingda") in China as well as its manufacturing base in Thailand ("Xingda Thailand").

List of names and abbreviations of the subsidiaries contained in this Report

Jiangsu Xingda Tyre Cord Co., Ltd.	Jiangsu Xingda	Affiliated to "Jiangsu base"
Taizhou Xingda Specialized Wires Co., Ltd.	Taizhou Xingda	
Shandong Xingda Steel Tyre Cord Co., Ltd.	Shandong Xingda	Affiliated to "Shandong base"
Xingda Steel Cord (Thailand) Company Limited	Thailand Xingda	Affiliated to "Thailand base"

Time frame: The report is an annual report covering the period from 1 January 2021, to 31 December 2021.

- Data Description

The data and cases in the report are derived from the operational records and reports of the Group.

2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Environmental, Social and Governance Policy

Sustainability Philosophy

With"sustainable and high-quality development" as the key focus and responsible operations as the foundation, the Group delivers high-quality, innovative and green products and solutions that will promote the green transformation of the industry and make contributions to the social development and common prosperity.

We focus on four major areas of sustainability: green products and solutions, sustainable and eco-friendly supply chains, sound business operating models, and shared social values.

Green Products and Solutions	Sustainable and Eco-friendly Supply Chains	Sound Business Operating Models	Shared Social Values
• Reduce the environmental impact of our products throughout their life cycle by means of innovation. We are committed to generating 30% of our sales from green products and solutions by 2025.	• Create an eco-friendly supply chain and establish long-term strategic relationships with suppliers and industry partners.	• Apply a sound and transparent business operating model, and direct business operations with a sustainability philosophy.	• Contribute to community prosperity and human capital development through sustainable practices.

Environmental, Social and Governance Policy – *CONTINUED*

Sustainability Governance Structure

In June 2021, the Group officially established the Sustainable and High-Quality Development Strategy Committee (hereinafter referred to as the "Sustainable Development Committee"), with the Board of Directors assuming overall responsibility for the Group's sustainable development, including ESG issues. Under the Sustainable Development Committee, Xingda International Green Vanguard was established to drive the specific tasks of seven working groups.

Xingda's Sustainability Governance Structure

Environmental, Social and Governance Policy – *CONTINUED*

Sustainability Governance Structure – *Continued*

The Board of Directors, as the highest decision-making body for the Group's sustainable development and ESG management, is responsible for monitoring and evaluating the effectiveness and ensuring sound and good ESG governance. Its main responsibilities include, but are not limited to:

- Approving and monitoring the Group's policies, strategies, priorities and objectives for sustainability and ESG management.
- Ensuring that appropriate and effective mechanisms for sustainability and ESG management and internal control systems are in place.
- Reviewing the disclosures in the Group's sustainability and ESG reports.
- Reviewing the performance of the Group in relation to the sustainability and ESG objectives on a regular basis.

The Sustainable Development Committee operates under the authority of the Board of Directors and is headed by an Executive Director of the Board of Directors and the General Manager of the Group. It is responsible for leading the Group's work on sustainability issues, and ensures the importance of sustainability in the Group's business management. The duties of the Sustainable Development Committee include, but are not limited to:

- Setting the Group's strategic goals for sustainable and high-quality development and ESG, and reporting regularly to the Board of Directors on progress towards the goals.
- Identifying and assessing sustainability and ESG-related risks and opportunities, and carrying out corresponding actions.
- Facilitating the implementation of sustainability and ESG policies and measures across divisions and working groups.
- Developing the Group's greenhouse gas (GHG) emissions inventory, developing key indicators for quantitative management, and responding to third-party certified assessment or audit bodies, such as the CDP Climate Change Questionnaire.

Environmental, Social and Governance Policy – *CONTINUED*

ESG Issue Identification

The Group understands the importance of regular communication with stakeholders on substantive issues. We incorporate the expectations and demands of stakeholders into our operational activities and enhance our sustainable management capabilities through transparent and comprehensive information disclosure to promote high-quality development of the industry.

Stakeholders	Issue of Concern	Communication and Response
Exchanges and Government	• Information disclosure • Business ethics • Emissions management	• Website announcement • Government inspections • Communication and visits
Investors and Shareholders	• Information disclosure • Economic performance	• Shareholders' meeting • Financial report release • Seminars, interviews, etc.
Suppliers	• Supply chain management	• Field visits
Customers	• Product quality and safety • Resource utilization • Addressing climate change • Data and privacy	• Interviews • Field visits • After sales service
Employees	• Employee rights and benefits • Employee training and development • Occupational health and safety	• Labor Union Interaction • Employee Training • Employee Handbook • Interviews, etc.
Community and Public	• Social welfare • Employee rights • Addressing climate change	• Volunteer activities • Community activities • Donation

Based on regular communication with stakeholders, the Group identifies its own substantive issues in sustainability and ESG through a process covering policy and peer benchmarking, internal and external stakeholder interviews, and issue summarization.

Substantive Issue Identification Process

Environmental, Social and Governance Policy – *CONTINUED*

ESG Issue Identification – *Continued*

At the preliminary stage of substantive issue identification, we focused on future policy directions that are closely related to Xingda International in accordance with the UN's Sustainable Development Goals (SDGs) and China's *14th Five-Year Plan and Vision 2035*. In the meantime, Xingda conducted peer benchmarking and upstream and downstream industry benchmarking to identify a series of sustainability and ESG issues that require initial attention from environmental, social and governance perspectives.

After that, the Sustainable Development Committee interviewed the top management of 13 departments with high relevance to sustainable development, organized a sustainable development salon for the Group's internal management, and invited external stakeholder representatives to participate in the interviews to further evaluate each issue.

Based on the assessment results and expert opinions, the Group summarized seven high substantive issues in four major sustainability areas: circular economy, green products, addressing climate change, community and human capital development, sustainable procurement, compliance and business ethics, and sustainability governance. Considered and approved by the Board of Directors, the high-substantive issues will serve as the main direction for the Group's sustainability management actions.

Xingda's High-substantive Issues

Green Products and Solutions	Sustainable and Eco-Friendly Supply Chains	Sound Business Operating Models	Shared Social Values
• Green products • Circular economy • Addressing climate change	• Sustainable procurement	• Compliance and business ethics • Sustainability governance	• Community and human capital development

Environment

A Environment

A1 Emissions

The Group has manufacturing bases in China and Thailand. While expanding its business, the Group is also committed to establishing a green production environment. With a focus on environmental protection, the Group takes proactive measures to prevent or mitigate adverse environmental impacts and improve its environmental performance in production.

Xingda strictly complies with laws and regulations relating to exhaust gas emission, wastewater discharge and solid waste disposal in the places of operation (see the table below) with relevant management policies in place. During the reporting period, there were no confirmed violations of emission-related laws and regulations by the Group.

List of Emission-Related Laws and Regulations Observed

Regions	Laws and Regulations
China	Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on Promotion of Cleaner Production, Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (GB18599-2020), Integrated Emission Standard of Air Pollutants (GB16297-1996), etc.
Thailand	Enhancement and Conservation of National Environmental Quality (2018 Edition), etc.

The Group strictly implements the following internal management system in accordance with the requirements of the national and local governments to ensure that all emissions are in compliance with the standards. Emission reduction paths are developed according to the actual situation. All of the Group's manufacturing bases in China (including Jiangsu Xingda, Taizhou Xingda and Shandong Xingda) have passed the certification of ISO14001:2015 environmental management system. Xingda Thailand strictly follows the same system for internal management, but has not yet obtained the certification during the reporting period due to the COVID-19 pandemic.

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

In addition, each manufacturing base of the Group carries out risk assessment of environmental events, prepares corresponding emergency plans, establishes and improves long-term working mechanisms for environmental risk prevention and control, and effectively reduces regional environmental risks. Jiangsu Xingda and Taizhou Xingda have both formulated *Risk Assessment Report on Environmental Emergencies, Environmental Emergency Resource Investigation Report, Emergency Response Plan for Environmental Incidents*, as well as special plans and on-site disposal plans, which have all been registered with the competent ecological and environmental authorities (Jiangsu Xingda Filing No. 321281-2021-029-M; Taizhou Xingda Filing No. 321281-2021-030-M; Xingda Thailand Filing No. 370523-2019-016-L). Xingda Thailand engages a third-party agency to conduct environmental impact assessments twice a year to ensure timely monitoring of environmental risks; the company formulates emergency response plans for environmental emergencies and organizes regular training and drills.

The Group strictly monitors and controls the emissions of wastewater, exhaust gas and noise in the production process, strictly implements the requirements of the self-monitoring program for emissions, sets up automatic monitoring equipment at key emission outlets, and monitors them in real time by networking with environmental protection departments to ensure that the production process meets the emission standards. The Group regularly engages third-party institutions to monitor wastewater, exhaust gas and noise to strictly eliminate the occurrence of non-compliance with regulations.

List of Emissions Management Systems and Measures

Type of Emissions	Management Systems and Measures
Atmospheric Pollutants	Develop *Air Pollution Prevention and Control Management Procedures and issue documents such as Acid Mist Purification and Treatment Operation Guideline* to clarify the responsibilities of each department and air pollutant disposal procedures; make records as required and formulate written management documents such as *Exhaust Gas Treatment Effect Test Report*.
Wastewater	Establish *Energy and Environmental Protection Management Procedures for Construction Projects*; impermeable measures must be taken for all water transmission and drainage pipes and hazardous waste storage sites to eliminate all kinds of channels for wastewater seepage; accident pools and wastewater treatment areas must be impermeable and leak-proof; set up 3 groundwater monitoring points and make regular monitoring efforts.
Solid Waste	Set up solid waste management procedures, issue documents such as *Hazardous Solid Waste Management System, Hazardous Solid Waste Emergency Plan and Xingda's Hazardous Waste List*; manage hazardous waste based on the lifecycle monitoring system of Department of Ecology and Environment of Jiangsu Province to realize the lifecycle supervision of waste, covering generation, storage, transfer and disposal; clarify the definition of waste and departmental responsibilities; specify waste disposal and management methods; make records as required to form written management documents such as *Solid Waste Temporary Storage and Disposal Form*.

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

Exhaust Emissions

The Group's production activities generate emissions from HCl exhaust gas from the pickling process, exhaust gas from natural gas combustion of the open fire furnace, sintering exhaust gas from the solid waste disposal plant, combustion exhaust gas from the pulverized coal boiler of the thermal power plant and combustion exhaust gas from the natural gas emergency boiler. The main atmospheric pollutants generated include nitrogen oxides, sulfur dioxide, particulate matter, hydrogen chloride gas and soot. We have set a target to achieve 100% compliance with standards for air pollutant emission.

Emission Targets of Air Pollutants

Manufacturing Base	**Sources**	**Pollutant Types**	**Emission Standards**	**Emission Limits (mg/m^3)**
Jiangsu	Acid mist	HCl	Integrated Emission Standard of Air Pollutants (DB32/4041-2021)	10
		Sulfuric acid mist		5
	Emergency boilers	Particulate matter	Emission Standard of Air Pollutants for Boilers (GB13271-2014) Table 3	20
		SO_2		50
		NOx	Notice on Low-NOx Transformation of Gas Boilers in Taizhou	50
	Electroplating production line open fire furnace	Particulate matter	Jiangsu Industrial Furnace Emission Standards for Air Pollutants (DB32/3728-2020)	20
		SO_2		80
		NOx		180
	Solid waste disposal	Particulate matter	Standard for Pollution Control on Hazardous Waste Incineration (GB18484-2020)	30
		SO_2		100
		NOx		300
		HCl		60
		CO		100
	Thermal power plant	Particulate matter	Notice on Jiangsu Province's Action Plan for the Upgrading and Transformation of Coal-fired Power Energy Efficiency and Emission Reduction (2014-2020) (issued by Jiangsu Government Office [2014] No. 96) Ultra-low Emission Requirements	10
		SO_2		35
		NOx		50
Shandong	Acid mist	HCl	Emission Standard of Pollutants for Electroplating (GB21900-2008, Table 5)	30
	Emergency boilers	Particulate matter	Shandong Provincial Emission Standard of Air Pollutants for Boilers (DB37/2374-2018) Table 2, "Key Control Area"	10
		SO_2		50
		NOx		100
	Electroplating production line open fire furnace	Particulate matter	Shandong Regional Comprehensive Emission Standards for Air Pollutants (DB37/2376-2019) Table 1, "Key Control Area"	10
		SO_2		50
		NOx		100
Thailand	Acid mist	HCl	Thailand's Comprehensive Emission Standards for Air Pollutants 2549 Article III for emission limits	200
	Emergency boilers	Particulate matter	Announcement of Control Standards for Air Pollutant Emissions from Industrial Plants by the Ministry of Natural Resources and Environment of Thailand	320
		SO_2		60
		NOx		690
	Electroplating production line open fire furnace	Particulate matter	Thailand's Comprehensive Emission Standards for Air Pollutants 2549 Article III for emission limits	120
		SO_2		60
		NOx		200

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

Exhaust Emissions – *Continued*

The Group conducts regular internal and external testing of air emissions, and gradually installs additional online monitoring devices to ensure that emission abnormalities can be detected and effectively dealt with in a timely manner, so as to ensure the compliance of exhaust gas emissions. In terms of internal testing, the Group has installed online monitoring devices to monitor hydrogen chloride tail gas in real time for internal management. The Company's big data platform has set corporate standards that are stricter than national standards. Once abnormal data is detected, the platform immediately pushes early warning information to the cell phone of relevant personnel to ensure timely response. In terms of external testing, the Group regularly commissions a third-party testing agency to conduct tests on various types of exhaust vents. In 2021, all internal and external testing results were satisfactory.

External Monitoring of Exhaust Gas Emissions

Type of Emissions	Sources	Monitoring
Exhaust gas	Exhaust gas from pickling	A third-party testing is conducted once every six months
	Waste gas from natural gas combustion in the workshop open fire furnace	A third-party testing is conducted once every year
	Sintering waste gas of solid waste workshop	Heavy metal content is tested quarterly by a third-party testing agency
	Boiler waste gas from thermal power plant	Mercury and blackness of smoke plumes are tested quarterly by a third-party testing agency
	Unorganized exhaust gas in the plant area	Regular third-party testing (according to the frequency of self-monitoring program for pollution permit)

In the past five years, the Group invested a total of over RMB40 million (including the cost of Phase II upgrade) to renovate the hydrochloric acid mist purification towers of each branch plant. Through the renovation, the use of raw hydrochloric acid in the operation line was reduced, and the use of secondary liquid alkali and the concentration of hydrogen chloride emissions were reduced. In addition, the Group strengthened the maintenance of online hydrogen chloride monitoring facilities to monitor hydrogen chloride emissions in real time and maintain the equipment of acid mist purification towers in each branch plant.

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

Exhaust Emissions – *Continued*

Atmospheric Pollutant Emission Performance Sheet

Indicators	**Unit**	**2021**	**2020**
Total exhaust emission	10,000 m^3	396,348.32	431,161.37
Nitrogen oxide emissions	ton	45.12	36.81
Sulfur dioxide emissions	ton	33.86	23.52
Particulate emissions [1]	ton	2.71	1.84

		2021			**2020**		
Indicators	**Unit**	**Jiangsu base**	**Shandong base**	**Thailand base**	**Jiangsu base**	**Shandong base**	**Thailand base**
Total exhaust emission	10,000m^3	359,868.80	9,263.52	27,216.00	403,588.85	8,599.08	18,973.44
Nitrogen oxide emissions	ton	41.87	2.88	0.37	33.58	2.78	0.45
Sulfur dioxide emissions	ton	33.18	0.63	0.05	22.71	0.73	0.08
Particulate emissions [(1)]	ton	2.47	0.18	0.06	1.20	0.44	0.20

1. Atmospheric emissions of particulate matter mainly come from vehicles. Due to the limitations of vehicle travel kilometers and vehicle fuel consumption data collection, relevant emission data of vehicles operated by Xingda Jiangsu were not disclosed in 2020.

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

Wastewater Discharge

The Group's wastewater discharges during its operations mainly include production wastewater (including acidic wastewater, electroplating wastewater and lubricant wastewater) and domestic wastewater. The Group manages its discharges in strict accordance with the relevant criteria of the *Emission Standard of Pollutants for Electroplating* (GB21900-2008, Table 2) and the internal *Wastewater Discharge Management Rules*.

Wastewater Pollutant Discharge Targets

Manufacturing Base	**Discharge Standards**	**Pollutant Types**	**Discharge Limit (mg/L)**
Jiangsu Base	Emission Standard of Pollutants for Electroplating (GB21900-2008, Table 2)	PH value	6-9
		COD	80
		Ammonia Nitrogen	15
		Total copper	0.5
		Total Zinc	1.5
		Total phosphorus	1
		Total lead	0.2
		Total chromium	1
		Cr(VI)	0.2
		Petroleum	3
		Suspended matter	50
Shandong Base	Emission Standard of Pollutants for Electroplating (GB21900-2008, Table 2)	COD	80
		Ammonia Nitrogen	15
Thailand Base	Thai Ministry of Industry Announcement: Control Standards on Wastewater Quality	PH value	5.5-9.0
		TDS	3,000
		Suspended matter	200
		COD	750
		Five-day biochemical oxygen demand	500
		Total copper	2
		Total zinc	5

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

Wastewater Discharge – *Continued*

The Group has built a wastewater treatment station. All wastewater is collected at the station for treatment and then discharged after meeting the standards. The Group conducts regular monitoring of the main pollutants in wastewater to ensure that no irregular discharge of wastewater occurs.

Type of Emissions	Sources	Monitoring
Wastewater	Wastewater outlet	Total copper and total zinc are monitored daily. Total phosphorus, petroleum and suspended matter are tested once a month by a third-party testing organization.

The Group explores the potential of each process and develops measures to reduce resource consumption and wastewater discharge for the whole process. In the past three years, the energy saving and emission reduction departments of the Group's manufacturing bases have been motivated to promote the optimization and renovation of wastewater recycling and treatment systems with significant results.

Production Base	Emission Reduction Measures for Wastewater Pollutants
Jiangsu Base	• Building new phosphoric acid waste recycling facilities to collect and treat the waste phosphoric acid generated by production lines, and to reuse it after reaching quality standards. • Constructing waste hydrochloric acid self-use project to recycle waste hydrochloric acid from production lines; obtaining concentrated hydrochloric acid of standard concentration for reuse in pickling operation lines, and reducing the use of raw hydrochloric acid. • Promoting the water reuse system, conducting in-depth treatment of qualified wastewater discharged from the sewage treatment station, recycling it through RO and ultrafiltration system, and reusing the qualified treated water directly to the company's industrial water main network to reduce the use of fresh water.
Shandong Base	• Constructing pickling sludge and waste hydrochloric acid self-recycling projects and using the recycled acid in the production line to reduce the usage of raw acid. • Renovating the acid mist purification tower for primary acid recovery and using the recycled hydrochloric acid in the production line to reduce the usage of raw acid.
Thailand Base	• Constructing new phosphoric acid waste recycling facilities to collect and recycle the waste phosphoric acid generated by the production line, and reusing the treated phosphoric acid up to standard for production. • Renovating plating acid mist purification tower for primary acid recovery and using the recycled hydrochloric acid in the production line to reduce the usage of raw acid. • Collecting all overflow water and steam condensate from the intermediate frequency cold water tank of the plating production line and recycling them to the production water supply system.

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

Wastewater Discharge – *Continued*

Wastewater Pollutants Emission Performance Sheet

Indicators	Unit	2021	2020
Industrial wastewater discharge	10,000m^3	132.19	124.90
Chemical oxygen demand (COD) emissions	ton	69.62	56.99
Ammonia nitrogen (NH3-N) emissions	ton	0.90	0.91
Biochemical oxygen demand (BOD) emissions	ton	0.09	–

		2021			2020		
Indicators	**Unit**	**Jiangsu base**	**Shandong base**	**Thailand base**	**Jiangsu base**	**Shandong base**	**Thailand base**
Industrial wastewater discharge	10km^3	124.52	4.52	3.15	115.26	6.77	2.87
Chemical oxygen demand (COD) emissions	ton	67.07	1.65	0.90	53.54	2.51	0.94
Ammonia nitrogen (NH3-N) emissions	ton	0.88	0.02	–	0.77	0.14	–
Biochemical oxygen demand (BOD) emissions(1)	ton	–	–	0.09	–	–	–

1. Due to different management requirements, the Thailand base does not measure ammonia emissions separately, but measure the biochemical oxygen demand (BOD) emissions since 2021.

Environment – *CONTINUED*

A Environment – *Continued*

A1 Emissions – Continued

Solid Waste

The main hazardous wastes generated by the Group in the production process include pickling sludge, surface treatment sludge, waste hydrochloric acid, waste machine oil, waste lead batteries, electroplating sludge, waste emulsion, and packaging auxiliary materials. The general wastes generated include production wastes such as iron scraps, waste steel wires, waste equipment, waste accessories, waste packaging, and waste workwear, as well as domestic wastes generated from daily activities. The Group has formulated the Solid Waste Management Process to manage and properly dispose of various types of waste generated during the production process, and never allow illegal outflow of the wastes from any channel that poses a potential threat to the environment and the community.

Solid Waste Emission Target:

No solid waste is discharged. Ensure the stable operation of hazardous waste self-recycling projects to achieve minimized, harmless and optimized utilization; except for the self-recycling projects, other solid wastes need to be entrusted to qualified organizations for proper disposal in accordance with laws and regulations.

The Group's general industrial solid waste is recycled, and domestic waste is cleaned up regularly by the environmental sanitation service. The Group's hazardous wastes are entrusted to qualified organizations for disposal and utilization, except for pickling sludge and waste hydrochloric acid for which the company has built its own utilization project. The Group formulates annual management plans in accordance with the requirements of the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution* and files them with the local ecological environment bureau, manages the ledgers of hazardous waste temporary storage sites, improves the identification labels, and implements the online joint declaration and transfer system. The Department of Ecology and Environment of Jiangsu base supervises the generation, warehouse entry, storage, transfer and disposal of hazardous wastes throughout the Group, and follows Jiangsu Province's hazardous waste lifecycle monitoring system for standardized management to achieve full process tracking of hazardous wastes and improve the informatization level of hazardous waste management. Shandong base carries out the whole-process and information-based supervision of hazardous waste through Shandong Solid Waste and Hazardous Chemicals Intelligent Supervision Platform. The Group has increased investment in environmental protection and management facilities, equipped with corresponding environmental protection and pollution control facilities while investing in production lines, and introduced new technologies and equipment to reduce the generation of solid waste. Hazardous wastes from Thailand base are entrusted to qualified organizations for disposal. The online declaration and transfer mechanism is implemented in accordance with the *Regulations on Waste Disposal and Regulations on the Declaration System for the Transport of Hazardous Wastes* issued by the Ministry of Industry of Thailand, where the generation, storage, transfer and disposal of hazardous wastes are supervised.

The Group has increased its investment in emission treatment facilities, supporting production lines with corresponding environmental protection and pollution control facilities and introducing new technologies and equipment to reduce the generation of solid waste.

A Environment – *Continued*

A1 Emissions – Continued

Solid Waste – *Continued*

Solid Waste Emission Target: – *Continued*

Solid Waste Reduction Measures

- Installing new filter presses at the sewage stations in the southern and northern production zones of Xingda Jiangsu base to reduce the sludge water content and the generation of hazardous waste.

- Using abrasives rust removal instead of pickling rust removal in some pretreatment production lines to reduce the use of hydrochloric acid.

- Promote the recycling of electroplating pickling wastewater for primary acid recovery in the acid mist purification tower in order to reduce the generation of acidic wastewater and pickling sludge.

Solid Waste Emission Performance Sheet

Indicators	**Unit**	**2021**	**2020**
Total amount of hazardous waste generated	ton	28,532.40	21,232.23
Total amount of non-hazardous waste generated	ton	71,384.98	43,492.93
Hazardous waste generation density (By production volume)	kg/ton	25.65	24.41
Non-hazardous waste generation density (By production volume)	kg/ton	64.16	49.99

		2021			**2020[1]**		
Indicators	**Unit**	**Jiangsu base**	**Shandong base**	**Thailand base**	**Jiangsu base**	**Shandong base**	**Thailand base**
Total amount of hazardous waste generated	ton	25,756.40	1,303.96	1,472.04	19,983.26	673.52	575.45
Total amount of non-hazardous waste generated	ton	68,494.58	1,534.50	1,355.90	41,937.51	1,221.80	333.62

1. Significant categories of hazardous waste were disclosed in 2020 and all categories were covered from 2021, so the total number of hazardous waste was slightly different from last year's report.

Environment – *CONTINUED*

A Environment – *Continued*

A2 Resource Consumption

The Group is committed to being a resource-saving and environment-friendly enterprise. Our production activities consume various resources directly or indirectly, including energy such as natural gas and diesel, water resources, packaging materials and raw materials (e.g., steel). We have established relevant management systems and corresponding measures. Xingda Jiangsu has obtained the certification of ISO50001:2018 energy management system (valid until December 16, 2024). In 2021, the Group has formulated the *Xingda International Sustainable Development Strategic Plan*, which sets a series of medium and long-term goals and mechanisms for the use of resources, so as to strengthen our ability to systematically manage the use of resources.

List of Resource Use Management Regulations and Measures

Resource Type	**Management Regulations and Measures**
Energy	In conjunction with the requirements of the ISO50001:2018 energy management certification system and national energy policies, we have developed a series of documents including the *Energy Management Regulations*, covering the management system for the consumption of coal, electricity, natural gas, diesel fuel and steam, as well as the establishment of energy metering management. The Group emphasizes the improvement of energy utilization rate and the cultivation of the energy conservation awareness among employees.
Water Resources	We are improving the integrated water resource management mechanism from all aspects, making equipment or technological innovation to improve water utilization and recycling efficiency, establishing a sound water recycling system for the Group, and conducting employee training on water conservation-related regulations.
Raw Materials	We have set targets and action measures for ourselves and our wire rod suppliers in the proportion of recycled steel in our sustainability strategy.

Energy Use

The main types of energy consumed by the Group in the production process include electricity, natural gas and diesel fuel. A power plant built in the Jiangsu base involves high-temperature and high-pressure pulverized coal boilers and generator sets, which will additionally require the use of coal.

Energy use target:

- *By 2025, reduce energy consumption per unit of product by 14% when compared to 2020*

Environment – *CONTINUED*

A Environment – *Continued*

A2 Resource Consumption – Continued

Energy Use – *Continued*

Energy use target: – *Continued*

The Group has continuously optimized its energy mix. In 2021, we continued to vigorously promote the establishment of solar power generation systems to gradually increase the proportion of clean energy usage.

We have been promoting cleaner production by accepting audits from customers and third parties to identify energy saving items to be improved; meanwhile, we have carried out multiple trainings courses to enhance the energy saving awareness amongst our employees, and to boost the overall effectiveness of the energy saving campaign.

In terms of energy saving and consumption reduction, the Group has implemented a number of technical improvement projects, such as the upgrade of high-efficiency synchronous permanent magnet motors, improvement of water pumps in production lines and some public facilities, replacement for high-efficiency LED energy-saving lights, and installation of solar streetlights to reduce the use of fossil energy in the production activities and lower the energy consumption per unit of product. At the same time, in 2021, the energy consumption per unit product of the Jiangsu base has decreased by 2.69% compared with 2020.

Energy Use Performance Sheet

Indicators	Unit	2021	2020
Direct energy consumption			
Total natural gas consumption	Million m^3	50.82	42.17
Liquefied natural gas	ton	17,777.78	–
Total coal consumption	ton	158,630.00	149,989.00
Amount of diesel fuel used for official use in owned vehicles	ton	505.88	462.88
Amount of gasoline used for official use in owned vehicles	ton	29.84	–
Indirect energy consumption			
Total amount of purchased electricity	GWh	1,587.68	1,262.42
Total amount of purchased electricity (China)	GWh	1,506.94	1,230.42
Total amount of purchased electricity (Thailand)	GWh	80.74	32.00
Total solar power generation	MWh	38.64	2.45
Power consumption density(By production volume)	MWh/ton product	1.43	1.45

Environment – *CONTINUED*

A Environment – *Continued*

A2 Resource Consumption – Continued

Energy Use – *Continued*

Energy use target: – *Continued*

		2021			2020		
Indicators	**Unit**	**Jiangsu base**	**Shandong base**	**Thailand base**	**Jiangsu base**	**Shandong base**	**Thailand base**
			Direct energy consumption				
Total natural gas consumption	Million m^3	42.55	5.29	2.98	35.06	6.00	1.11
Liquefied natural gas	ton	17,777.78	–	–	–	–	–
Total coal consumption	ton	158,630.00	–	–	149,989.00	–	–
Amount of diesel fuel used for official use in owned vehicles	ton	401.33	0.63	103.92	432.75	25.07	5.06
Amount of gasoline used for official use in owned vehicles	ton	–	28.62	1.22	–	–	–
			Indirect energy consumption				
Total amount of purchased electricity (China)	GWh	1,316.02	190.92	–	1,093.42	137.00	–
Total amount of purchased electricity (Thailand)	GWh	–	–	80.74	–	–	32.00
Total solar power generation	MWh	38.64	–	–	2.45	–	–

Use of Water Resources

The water sources used by the Group in its production are mainly surface water, groundwater and public water supply. The Group complies with the policy and management requirements of the relevant countries and regions in obtaining suitable water sources with no impact on local surface water and groundwater. We have set a target for the efficiency of water usage, and are actively working on water recycling, upgrading water-saving equipment and technology, and regular maintenance and repair of equipment to achieve scientific usage of water resources and reduce water consumption during production and operations.

Environment – *CONTINUED*

A Environment – *Continued*

A2 Resource Consumption – Continued

Use of Water Resources – *Continued*

Water use efficiency target:

- *Water recycling rate no less than 97%*

In 2021, the Group promoted the renovation of automatic control of industrial water recycling to recycle and reuse the industrial cooling water for electroplating and water tanks in each plant. In addition, we put into operation a constant temperature and pressure automatic control system in the circulating water system of each plant to monitor the system operation in real time and remotely, and automatically adjust the pump frequency and switch on/off the fan to reduce the consumption and waste of industrial water resources.

Water Use Performance Sheet

Indicators	Unit	2021	2020
Water consumption	m^3	2,169,311	2,033,504
Water consumption: municipal water supply	m^3	145,486	80,849
Water consumption: surface water	m^3	1,793,755	1,636,020
Water consumption: underground water	m^3	204,536	316,635
Water consumption: businesses directly collect and store rainwater	m^3	25,534	0
Total recycled water	m^3	90,467,200	69,449,322
Water consumption density (By production volume)	m^3/ton product	1.95	2.34

		2021			2020		
Indicators	**Unit**	**Jiangsu base**	**Shandong base**	**Thailand base**	**Jiangsu base**	**Shandong base**	**Thailand base**
Water consumption	m^3	1,692,812	356,499	120,000	1,762,133	226,057[1]	45,314
Water consumption: municipal water supply	m^3	0	51,020	94,466	0	35,535	45,314
Water consumption: surface water	m^3	1,565,015	228,740	0	1,636,020	0	0
Water consumption: underground water	m^3	127,797	76,739	0	126,113	190,522	0
Water consumption: businesses directly collect and store rainwater	m^3	0	0	25,534	0	0	0
Total recycled water	m^3	84,465,142	164,839	5,837,219	69,360,130	89,192	0

(1) The total water consumption of Shandong base in 2020 did not include municipal water supply and other categories, and is adjusted in this report.

Environment – *CONTINUED*

A Environment – *Continued*

A2 Resource Consumption – Continued

Use of Packaging Materials

The main packaging materials used by the Group in its production operations include disc spools, dividers, plastic pallets, cartons, high-pressure bags, desiccants, and packing tape. We have a systematic and comprehensive management mechanism for the management of packaging materials. We allocate packaging materials according to the orders of our customers, and then sort and recycle them according to the nature of different materials to continuously reduce the quantity of packaging materials used. During the year, the recycling rate of major packaging materials such as plastic pallets, disc spools and dividers has reached over 85%.

Packaging Materials Use Performance Sheet

Indicators	**Unit**	**2021**	**2020**
Total amount of packaging materials used for finished products[1]	ton	13,278.95	6,992.49
Density of packaging material consumption (by volume)	kg/ton product	11.94	8.04

		2021			**2020**		
Indicators	**Unit**	**Jiangsu base**	**Shandong base**	**Thailand base**	**Jiangsu base**	**Shandong base**	**Thailand base**
Total amount of packaging materials used for finished products[1]	ton	11,875.74	814.05	589.16	5,724.01	97.91	1,170.57

1. The packaging materials counted are the main packaging materials used in the production process of steel cord (excluding bead wire), including disc spools, plastics and cartons. The statistics are based on the total amount of packaging materials newly purchased in the year, excluding the amount of recycled materials. The Group is committed to increasing the proportion of recycled materials and gradually reducing the consumption of packaging materials.

Environment – *CONTINUED*

A Environment – *Continued*

A3 Environment and Natural Resources

The Group takes an active role in identifying the impact of its business activities on the environment and resources. After China set goals to achieve peak emissions by 2030 and carbon neutrality by 2060, it has become the responsibility of industrial enterprises to protect the ecological environment and realize energy saving and carbon reduction. Based on our environmental policy of "protecting the blue sky and creating a green world", the Group has formulated four commitments to environmental protection. We are taking action to integrate environmental protection and green and low-carbon development into the entire process of product development and business operations.

Four Commitments for Environmental Protection

- *Complying with national and local environmental protection laws and regulations*
- *Striving to achieve continuous improvement of environmental management system and related behaviors*
- *Following the prevention-oriented philosophy and gradually reducing the use of hazardous materials*
- *Combining prevention and treatment to minimize abnormal emission of pollutants per unit of product*

The Group has built a comprehensive emergency management system for environmental issues, established a corresponding guarantee system and procedural documents, and implemented standardized management for environmental protection. The Group continues to strengthen source control, practice clean production, make rational use of resources, and strictly treat the "three wastes" (wastewater, waste gases and residues) to prevent and control pollution throughout the process. At the same time, the Group strengthens communication with relevant parties, cultivates a corporate culture of environmental protection, and strives for continuous improvement to become a socially responsible and environmentally friendly enterprise.

In the course of production and operation, the Group prepares its own environmental monitoring program and commissions a third-party organization to conduct environmental monitoring every year. The Group accepts the audit of ISO14001 environmental management system every year to continuously solve the existing problems and improve the current status of the Group's environmental management. We have issued comprehensive environmental emergency response plan for dealing with unexpected environmental events.

Environment – *CONTINUED*

A Environment – *Continued*

A3 Environment and Natural Resources – Continued

Green Products and Solutions

In 2021, the Group has formulated an action plan for its sustainable development in alignment with national policies and industry development, placing "green products and solutions" as a key area of focus. As part of the automobile industry's supply chain, Xingda plans to reduce energy consumption and achieve recycling of materials through innovation, so as to reduce the life cycle environmental impact of the production. At the same time, the Group actively carries out carbon emission survey and carbon footprint accounting for its products to understand its carbon emission status and emission reduction potential, so as to lay a solid foundation for helping the development of a green industrial value chain.

For product design, the Group actively promotes the upgrade in tensile strength of tire cord products from NT/HT to ST/UT. The upgraded products can help reduce tire weight, lower carbon emissions, and further improve fuel economy, while ensuring the same tire performance.

Steel is an important raw material in the production process of the Group. Following the principle of "Reduce, Reuse and Recycle", we strive to gradually increase the proportion of recycled steel in the raw materials for steel cord to achieve a circular economy. In 2021, the Group set a target to raise the proportion of recycled steel to 40% by 2030. The Group has identified technical difficulties in improving the recycling rate of raw materials, and is actively pursuing strategic cooperation with upstream suppliers to develop an action plan to gradually increase the recycling rate of raw materials.

A4 Climate Change

Climate change is one of the most serious challenges facing mankind in the 21st century. Xingda has set up a Green Vanguard Team under its Sustainable and High-Quality Development Strategy Committee as a management facilitator for the issue of climate change, which is responsible for identifying risks and opportunities related to climate change and continuously improving management measures based on findings to minimize the carbon footprint of our operations.

Environment – *CONTINUED*

A Environment – *Continued*

A4 Climate Change – Continued

With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), the Group has established a climate change management system covering four areas: governance, strategy, risk management, and goals and performance.

Governance

The Board of Directors and the Sustainable Development Committee assume overall management responsibility for climate change issues

All relevant sectors make climate change mitigation and adaptation one of their daily priorities

Strategy

Identify and analyze significant climate risks and opportunities associated with Xingda International and develop response strategies, including:

- energy saving and consumption reduction
- Development and use of clean energy
- Regular information disclosure and communi-cation

Risk Management

Assess the potential operational and financial impact of climate-related risks and opportunities on Xingda International

Plan to integrate climate-related risks and opportunities into overall risk management and develop countermeasures

Goals and Performance

Regularly disclose data on energy and GHG emissions to assess the Group's perfor-mance in addressing climate change

Develop energy-saving and carbon-reduction plans and set quantitative targets, in light of the current situation

Environment – *CONTINUED*

A Environment – *Continued*

A4 Climate Change – Continued

Risk Management

The basis for climate issue management is to identify risks and opportunities associated with climate change. Climate change issues are closely related to greenhouse gas emissions. We have identified the following categories of GHG emissions and related data generated from our production and operations.

Sources of GHG Emissions in Different Categories

Scope	Emission Source
I	Direct emissions from operations owned or controlled by the Group
II	Indirect emissions from purchased or acquired electricity, heating, cooling and steam consumed within the Group
III	All other indirect emissions occurring outside the Group, including upstream and downstream emissions

GHG Emissions Performance Sheet

Indicators	Unit	2021[1]	2020[2]
Scope I greenhouse gas emissions	tCO_2e	480,488.84	402,382.17
Scope II greenhouse gas emissions	tCO_2e	1,098,466.61	880,098.95
Scope II purchased electricity(China)	tCO_2e	1,067,541.96	867,842.95
Scope II purchased electricity(Thailand)	tCO_2e	30,924.65	12,256.00
Greenhouse gas emissions(Scope I and Scope II)	tCO_2e	1,578,955.45	1,282,481.12
Greenhouse gas emission intensity (By production volume)	tCO_2e/ton product	1.42	1.47

Environment – *CONTINUED*

A Environment – *Continued*

A4 Climate Change – Continued

Risk Management – *Continued*

		2021			2020		
Indicators	**Unit**	**Jiangsu base**	**Shandong base**	**Thailand base**	**Jiangsu base**	**Shandong base**	**Thailand base**
Scope I greenhouse gas emissions [1]	tCO_2e	462,194.43	11,517.28	6,777.13	386,915.49	13,050.95	2,415.73
Scope II greenhouse gas emissions [2]	tCO_2e	898,709.64	168,832.32	30,924.65	746,693.85	121,149.10	12,256.00
Scope II purchased electricity (China)	tCO_2e	898,709.64	168,832.32	–	746,693.85	121,149.10	–
Scope II purchased electricity (Thailand)	tCO_2e	–	–	30,924.65	–	–	12,256.00
Greenhouse gas emissions (Scope I and Scope II)	tCO_2e	1,360,904.07	180,349.60	37,701.78	1,133,609.34	134,200.05	14,671.73

1. Scope-1 GHG emissions are calculated with reference to the *Corporate GHG Emissions Accounting Methodology and Reporting Guidelines for Power Generation Facilities* (revised version 2022) and the *Corporate GHG Emissions Accounting Methodology and Reporting Guidelines for Other Industries.*

2. Scope-II GHG emissions were calculated based on the emission factors of the power grid in each region. In the *Online CO2 Accounting System* issued by Jiangsu provincial government in 2019, the power supply emission factor of Jiangsu province in 2020 and 2021 was set to 0.6829 kg/kWh; Shandong Province's power supply emission factor is set at 0.8843 kg/kWh based on the 2012 North China regional grid factor in the China Development and Reform Commission's *China Regional Grid Average CO2 Emission Factors for 2011 and 2012* (2020 emission data has been adjusted accordingly). According to the Power Development Plan of Thailand released by the Energy Policy and Planning Office on 30 June 2015, the power supply emission factor for Thailand was set at 0.383 kg/kWh.

The Group identifies key climate change risks and opportunities related to its operations through the identification, assessment and analysis of risks and opportunities, and continuously improves its management accordingly to minimize the impact of its operations on climate and the environment.

Environment – *CONTINUED*

A Environment – *Continued*

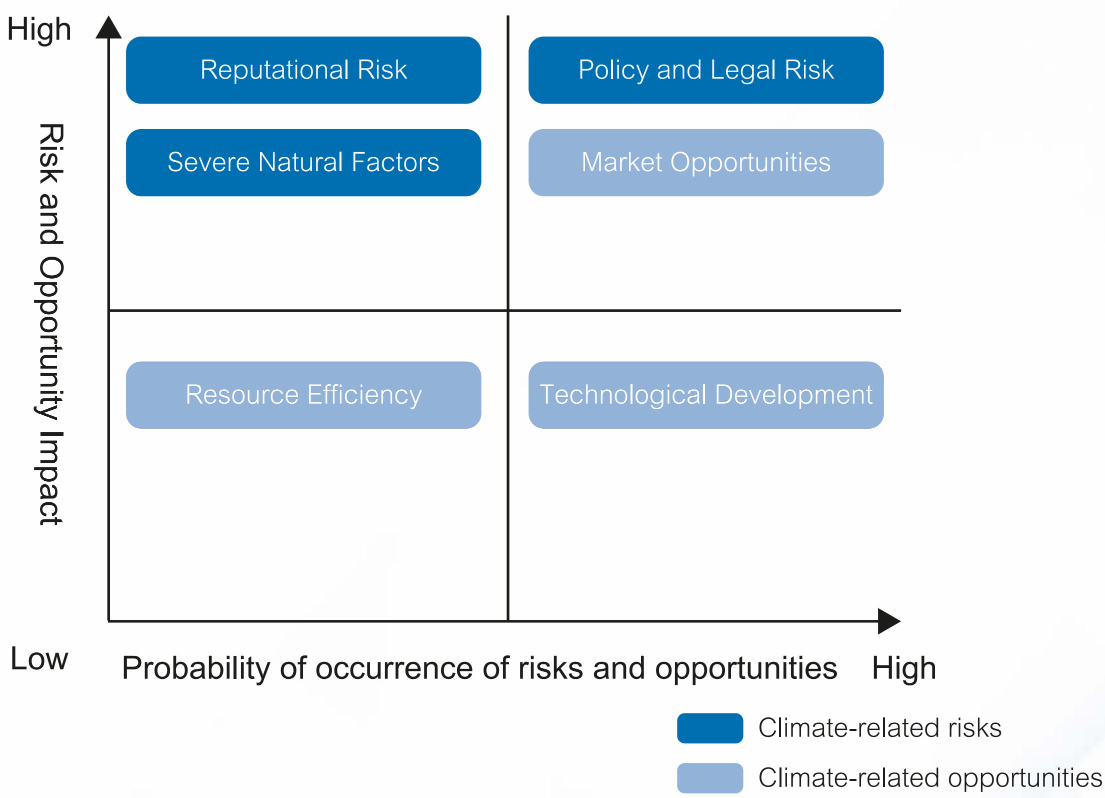
A4 Climate Change – Continued

Risk Management – *Continued*

Analysis of Climate-Related Risks and Opportunities

Identification	Assessment	Analysis
• Identify three climate-related risks and three climate-related opportunities according to the unified climate change disclosure framework by TCFD	• Assess climate-related risks and opportunities based on Xingda International's own situation and expert opinions.	• Construct an axis chart of climate-related risks and opportunities based on the assessment results, and prioritize the risks and opportunities by combining their probability of occurrence and degree of impact.

Climate Related Risks and Opportunities Axis Chart



Environment – *CONTINUED*

A Environment – *Continued*

A4 Climate Change – Continued

Risk Management – *Continued*

In terms of climate risks, the Group identifies policy and legal risks, reputational risks and severe natural factors. In terms of climate-related opportunities, the Group identifies market opportunities as well as opportunities for technological development and resource efficiency. Based on the key climate-related risks and opportunities identified, the Group assesses the potential operational and financial impacts and plans to incorporate climate-related risks and opportunities into its overall risk management system.

Financial Impact Analysis of Climate-Related Risks

Type	Level	Description	Potential Financial Impact
Policy and Legal Risk	High	Xingda uses mainly natural gas, coal and diesel fuel. As China's environmental regulations are gradually completed, laws related to energy use like "coal-to-gas" conversion may affect our operating costs. In addition, changes in pollutant emission standards may expose the Group to compliance risks.	Operating income▼ Credit risk▲
Reputational Risk	Medium	As a company listed on SEHK, Xingda is required by the Exchange to disclose its GHG emission data and emission reduction measures, so such information is available to customers and investors. When the performance is below the expectations of customers and investors, the corporate reputation will be affected.	Operating income▼ Credit risk▲
Severe Natural Factors	Medium	An indication of severe natural factors is that extreme weather is frequent and more intense. Extreme weather such as typhoons and floods may lead to safety accidents or forced suspension of production. Extreme weather caused by climate change may cause impacts on our operation of plants, for example, the frequent typhoons in summer may affect the production of Xingda's plant in Jiangsu.	Operating income▼ Operating costs▲ Value of fixed assets▼

Environment – *CONTINUED*

A Environment – *Continued*

A4 Climate Change – Continued

Risk Management – *Continued*

Financial Impact Analysis of Climate-Related Opportunities

Type	Level	Description	Potential Financial Impact
Market Opportunity	High	Xingda responds to customers' requests to increase the proportion of sustainable raw materials in use, and promote the sustainable development of the industry, which can enhance the Company's competitiveness in providing differentiated products.	Operating income▲
Technology Development	Medium	Technological development has a direct impact on the transformation of the Group's production methods. On the business end, the Group actively promotes changes in energy consumption and production methods. In response to customers' requirements, Xingda has been actively developing low-carbon reinforcing materials and producing them intelligently to improve energy efficiency and reduce climate impact.	Operating income▲ Operating costs▼
Resource Efficiency	Medium	Improving the efficiency of resource consumption, including energy, water and raw materials, which may effectively reduce operating costs.	Operating costs▼

Response Strategy

The Group has formulated a clear management strategy to address risks and opportunities arising from climate change through three aspects: energy conservation and consumption reduction, development and use of clean energy and regular information disclosure and communication.

In terms of energy saving and consumption reduction, the Group has implemented a number of technical improvement projects, such as the upgrade of high-efficiency synchronous permanent magnet motors, improvement of water pumps in production lines and some public facilities, replacement for high-efficiency LED energy-saving lights and installation of solar streetlights to reduce the use of fossil energy in the production activities and lower the energy consumption per unit of product.

In terms of developing and using clean energy, the Group develops and utilizes renewable energy and accelerates the transformation of its energy consumption structure to low carbon. Xingda Jiangsu has completed the installation and acceptance of a distributed rooftop photovoltaic power plant. The Group plans to take the use of clean energy into consideration during the construction of new plants, and to further expand the proportion of renewable energy use.

Environment – *CONTINUED*

A Environment – *Continued*

A4 Climate Change – Continued

Response Strategy – *Continued*

In terms of regular information disclosure and communication, the Group adheres to the principle of openness and transparency, and regularly discloses carbon emission data in its ESG reports. The Group responds to the CDP Climate Change Questionnaire every year and obtains a B rating in the Questionnaire in 2021. In addition, we also actively communicate with our customers, suppliers and other value chain partners to exchange plans and milestones in low-carbon transformation and greenhouse gas emission reduction.

Targets and Key Indicators

Based on continuous annual greenhouse gas emission data, the Group has set the following climate change-related targets:

- *To achieve a 30% share of clean energy use by 2025*
- *To achieve full carbon neutrality by 2050*

Carbon emissions per unit of product are an indicator that we continuously monitor. Our short-term target for 2022 is to reduce carbon emissions per unit of product by 7% compared to 2020. In 2021, our Jiangsu base has achieved carbon emissions per unit of product of 1.42 tons, a 3.73% reduction compared to 2020.

Society

B Employment and Labor Regulations

B1 Employment

Xingda has established the employee management policy of "understanding human needs, respecting human values, developing human potential, encouraging human creativity, and promoting the common development of employees and the company". In terms of staff recruitment, the Group selects and employs talents in accordance with the philosophy of "equality, openness, competition and basis of merits" and "internal priority", implements the policy of equal pay for equal work, and emphasizes the principles of diversity and anti-discrimination. In terms of employee promotion and development, the Group strictly adheres to the principles of "distribution according to labor, efficiency first, equity and sustainable development".

The Group complies with laws and regulations on remuneration and termination, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, and employee treatment and benefits. During the reporting period, the Group did not violate any employment-related laws and regulations.

List of Applicable Laws and Regulations for Employment

Regions	**Applicable Laws and Regulations**
China	*Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, etc.*
Thailand	*Thailand Labor Protection Act (1998 version), Thailand Revenue Code (1938 version), etc.*

Meanwhile, the Group has established an internal system to manage the employment, remuneration, working hours and holidays, promotion and dismissal of the Group's employees to ensure equal and diversified employment

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B1 Employment – Continued

List of Employment Management Systems and Measures

Management Scope	**Management Systems and Measures**
Recruitment, Promotion and Dismissal	• Develop the Regulations for Management of Company Recruitment, Regulations for Management of Employment Contract, Regulations for Management of Employee Separation, Regulations for Management of Xingda Position Changes, and improve and standardize the Employee Handbook. • Attach importance to the career development of each employee; employees who meet the requirements and have excellent daily work performance will be eligible to compete for vacant positions, and prioritized for selection, transfer and promotion.
Remuneration	• Strictly follow the principle of "more rewards for more efforts", and formulate the Remuneration Management Regulations. • Establish a mechanism combining duties, rights, responsibilities and benefits within the Group and a salary system that is" fair internally and competitive externally", and adopt a distribution system that sets salary by position and ability and sets reward by performance.
Working Hours and Holidays	• Formulate rules and regulations based on the actual situation of each business division and plant, such as the Implementation Measures for Employee Career Planning and Management, and the Leave Management System for Employees. • Secure employee benefits, promote work-life balance for them through recreational facilities and activities, and provide substantial employee benefits, including health insurance.
Equal Opportunity, Diversity and Anti-Discrimination	• Establish Regulations for Anti-Discrimination, Anti-Harassment and Anti-Abuse Management, abide by the principle of diversity and anti-discrimination in employment, and treat all employees equally regardless of gender, ethnicity, marital status, religious beliefs, etc.

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B1 Employment – Continued

Employment Performance Sheet

Indicators	Unit	2021	2020
Number of employees			
Total number of employees	person	7,842	7,081
Number of male employees	person	5,445	4,927
Number of female employees	person	2,397	2,154
Number of employees under labor contract	person	7,842	7,081
Number of employees on labor dispatch	person	0	0
Number of part-time employees	person	0	0
Number of employees under 30	person	1,384	1,527
Number of employees aged 30-50	person	5,971	5,086
Number of employees over 50	person	487	468
Number of employees in Mainland China	person	7,001	6,585
Number of employees in Thailand and others	person	841	496
Number of General employees	person	7,683	6,932
Number of Middle-level employees	person	139	133
Number of Senior-level employees	person	20	16
Employee turnover rate [1]			
Employee turnover rate	%	24.16	17.95
Male employee turnover rate	%	24.34	17.61
Female employee turnover rate	%	23.74	18.72
Turnover rate of employees under 30	%	31.35	17.64
Turnover rate of employees aged 30-50	%	21.31	16.87
Turnover rate of employees over 50	%	33.83	28.88
Turnover rate of employees in Mainland China	%	22.87	16.73
Turnover rate of employees in Thailand and others	%	33.41	31.30

1. In response to the increase in employee turnover, the Group will further increase the automation of production lines to reduce the work intensity of frontline employees and improve their working environment. In addition, we will enhance the professional skills of employees through various training programs to meet the requirements of an intelligent and green factory. At the same time, we will continue to do our best in terms of employee care and employee opinion collection, so that the staff can be better involved in the management of the company and improve their satisfaction with their work.

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B1 Employment – Continued

Employee Communication

For an interactive work culture, the Group actively listens to and values the opinions of our employees. The Group has established a system comprising labor unions and employee representative assemblies under the coordination of the Board of Directors, the Human Resources Department and the Administration Department. Labor unions have been established in the Jiangsu and Shandong bases with regular meetings held, and employee representatives have been assigned in the Thailand base. Through these means, we communicate with employees about their rights and benefits and provide them with support and protection.

The Group has provided various channels such as mailboxes, email, telephone, WeChat Official Accounts to collect reasonable suggestions or opinions from employees every month with appropriate rewards. Seminars and exchanges are held occasionally, where leaders communicate with primary-level employees face to face to understand the difficulties and problems encountered by them in work and life, and address them in a timely manner.

Employee Care

The Group continues to improve employee welfare, providing various benefits such as insurance, salary incentives and holidays. The Group provides pension, medical, work injury and unemployment insurance for employees in its mainland China operations (including Jiangsu Xingda, Taizhou Xingda and Shandong Xingda), as well as additional commercial insurance as a supplemental benefit coverage.

In respect of the care for female employees, the Group not only strictly observes the maternity leave granted to female employees by law, but also provides leave and rest time for female employees according to their different needs during pregnancy, breastfeeding and menstrual periods, and adjusts their work positions appropriately. Mother and baby rooms are set up in each of our bases to protect the special interests of female employees.

In addition, the Group provides dormitories or apartments for employees in all three bases to reduce their living cost, and has established Xingda International Bilingual Kindergarten for children of employees in the Jiangsu base to provide them with high-quality, international education resources.

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B2 Health and Safety

The Group attaches great importance to the safety and health of its employees and strictly complies with the relevant laws and regulations of the countries and places where it operates. During the reporting period, there was no violation of relevant laws and regulations on occupational health and safety; and there was no work-related death of employees of the Group in the past three years.

List of Applicable Laws and Regulations on Occupational Health and Safety

Regions	**Applicable Laws and Regulations**
China	*Law of the People's Republic of China on Work Safety, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Law of the People's Republic of China on Fire Fighting, Law of the People's Republic of China on Special Equipment Safety, Law of the People's Republic of China on Labor, Law of the People's Republic of China on Meteorology, Law of the People's Republic of China on Protection of Women's Rights and Interests, Law of the People's Republic of China on Labor Unions, Law of the People's Republic of China on Education, Law of the People's Republic of China on Road Traffic Safety, Regulations on the Safety Management of Dangerous Chemicals, Measures for the Administration of Work Safety Training, Regulations on the Administration of Work Safety in Jiangsu Province, Regulations on Fire Fighting in Jiangsu Province, Regulations on Emergency Response to Production Safety Accidents, etc.*
Thailand	*Occupational Safety, Health and Environment Act B.E. 2554 (2011), Factory Act, Industrial Estates Authority Act, etc.*

Except for Xingda Thailand, the Group has obtained certification of ISO45001:2018 Occupational Health and Safety Management System (valid until June 21, 2024). Xingda Thailand strictly follows the certification system for internal management and has not been certified during the reporting period due to the impact of the COVID-19 pandemic. The Group follows the requirements of the management system to formulate a number of internal management policies, including the *Production Safety Responsibility System, Five Simultaneities Safety Production Management Regulations, Fire Prevention Management Regulations, Occupational Disease Prevention and Control Management Regulations, Labor Protection Equipment Management Regulations, Safety Protection Equipment and Facilities Management Regulations and the Xingda Thailand Occupational Health, Safety and Environment Regulations* implemented in the Thailand plant.

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B2 Health and Safety – Continued

Safety Production

The Group effectively monitors and implements the Group's occupational safety policies by establishing a safety management structure and carrying out safety prevention measures.

All manufacturing bases of the Group in China have set up production safety leadership teams. The responsibilities of the Safety Leadership Team and the Committee include organizing work safety related activities, analyzing data on work safety issues, and reporting and communicating legal provisions and suggestions for improvements related to occupational health and safety. On top of this, Jiangsu Xingda's Emergency Management Department and Shandong Xingda's Safety and Environmental Protection Office are responsible for handling safety matters at the plant and conducting environmental inspections of the plant's production facilities to identify safety hazards. Xingda Thailand has established a safety committee to build a comprehensive occupational health and safety and environmental protection system for the plant and to supervise the daily safety inspections.

The Group has improved the safety and prevention mechanism by reducing the risk of endangering the health and safety of employees through the renovation and upgrading of relevant technologies. The relevant renovation and upgrading include the adoption of technical improvement measures to eliminate or reduce the noise generated by high-noise places, and the installation of gas collectors at acid mist-generating places to ensure that exhaust gases are disposed of after reaching the standards for emissions.

In terms of occupational health and safety sites and drills, the Group has prepared detailed emergency escape plan for offices, which are posted in prominent areas. Sufficient fire-fighting equipment is also provided to facilitate employees' response to emergencies. In addition, the Group has posted safety warning signs and emergency evacuation maps at work sites and provided a full set of standard operating procedures at construction sites so that employees are well aware of the risks present in their jobs.

Occupational Health

The Group is committed to creating a safe and healthy workplace and has set the goal of "achieving zero fatal accidents, zero occupational accidents, zero serious injury accidents, and a 100% inspection rate of special equipment for the year". In order to reduce the incidence of work-related accidents, occupational diseases and other incidents that endanger the health and safety of employees, the Group carries out management in accordance with the *Regulations for Management of Occupational Disease Prevention and Control*, promotes occupational health protection measures in conjunction with relevant departments, and carries out special management actions on chemicals and dust that endanger the safety of employees.

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B2 Health and Safety – Continued

Occupational Health – *Continued*

In 2021, the Group provided detailed occupational health checkups for employees involved in occupational disease risks and analyzed the reported results. Positions at risk of occupational diseases include those exposed to dust, chemicals and physical factors, as well as those engaged in electrical work, pressure vessels, work at height and motor vehicle driving. Among them, the main occupational disease risks are "dust and noise pollution" and "acid mist and acid anhydride". Based on the results of the year-end survey, the Group provides employees with specific protective measures to avoid occupational disease hazards and safety incidents.

Personal protective equipment, such as anti-dust masks, ear plugs, protective glasses, anti-smash shoes and waist guards, are issued to employees to meet the needs of their jobs. Employees are supervised by relevant personnel on site to wear them properly. Each plant is equipped with tools such as first-aid kits, emergency lighting and fire-fighting equipment to ensure occupational health during work.

In terms of training and education, the Group has conducted staff trainings around production safety several times throughout the year. Jiangsu Xingda, Taizhou Xingda, Shandong Xingda and Xingda Thailand have integrated production safety training into the daily training courses of each department, covering all workshops and plants, emergency management departments, public engineering departments, intelligent manufacturing departments, engineering installation departments, etc. The trainings mainly cover production safety, risk identification, management systems and operation specifications.

Meanwhile, we are concerned about the psychological health of our employees. We offer psychological health training seminars for all employees, and hire experts to help employees identify and guide themselves on psychological problems.

B Employment and Labor Regulations – *Continued*

B2 Health and Safety – Continued

Occupational Health – *Continued*

Major Training Content for Employee Health and Safety

Departments	Training Course Topics
Emergency Management Department	• Education on wearing labor protective equipment and labor discipline • Safety knowledge education for each position • Maintenance safety precautions • On-site emergency drills for fire safety • Special operation personnel (electricians, welders, etc.) • Occupational health knowledge • Knowledge of special equipment management
Workshops/Plants	• Safety technical operating procedures • On-site disposal plan • Safety management system • Hazard identification, risk evaluation and control procedures • On-site disposal plan of natural gas leakage accident in the workshop
Ecology and Environment Departments	• Hazardous chemicals safety management regulations • Environmental emergency management training
Public Engineering Departments	• Management of production safety accident emergency plans • Safety technical operating procedures • Special emergency plan for natural gas stations

Employee Occupational Health and Safety Performance Sheet

Indicators	Unit	2021	2020
Number of employees who died for work-related injuries	person	0	0
The rate of employees who died for work-related injuries	%	0	0
Days of work lost due to an industrial injury	day	132	260
Special equipment detection rate	%	100	100
Certificate holder rate of special operation personnel	%	100	100
Per capita training duration of safety training education [1]	hour	21	–
Coverage of safety training and education	%	100	–

1. The data caliber of safety training is Jiangsu base; the training time has not been counted for Shandong base and Thailand base.

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B3 Development and Training

The Group's Human Resources Center carries out employee trainings under the philosophy of "serving the development of enterprises and the growth of employees". In terms of staff training, the Group has formulated *Training Procedures, Xingda's Staff Training Management Regulations, Human Resources Training Management Manual* and other documents on staff training system. In addition, the Group has developed policies such as *Performance Management Manual and Xingda's Performance Appraisal Management System* to evaluate the performance of employees and encourage their continuous development.

In September 2013, the Group established the Xingda Academy, which is dedicated to improving the skills of employees in multiple dimensions and building a top-class talent pool. In 2021, the Academy has formulated an annual teaching plan covering all employees in 19 departments and branch plants, with 860 projects and a total annual training investment of about RMB2.35 million. By the end of 2021, Xingda Academy has trained a total of 1,903 trainees through a combination of internal and external training, of which 635 are currently enrolled (111 undergraduates and 524 junior college students) and 1,268 have graduated (30 undergraduates, 214 junior college students, 228 high school students, and 796 technical secondary school students).

Xingda Academy Operation System

Teaching Plan	• Develop a complete and detailed teaching plan, clearly define the training needs of the departments, training programs, participants, training budget, time schedule, etc.
Training Content	• Courses covering management, production safety, quality standards, and technical operations
Evaluation Methods	• Conduct training evaluations, adopt a four-level effectiveness evaluation method, and adopt a differentiated evaluation approach according to the course and the target audience
Evaluation Results	• Identify problems and adjust the annual training plan in a timely manner based on the training evaluation results, and develop improvement measures to continuously increase the quality of corporate training • Include the evaluation results in the Group's performance management system for direct relevance to employee career development
Industry-Academia-Research Institutes Collaboration	• Establish long-term cooperation with Nanjing University, Southeast University, University of Electronic Science and Technology of China, Taizhou Vocational and Technical College, and Xinghua Middle Vocational and Technical College

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B3 Development and Training – Continued

Employees Training and Development Performance Sheet

Indicators	Unit	2021	2020
Employee training coverage			
Employee training coverage	%	99.80	99.59
Male Employee training coverage	%	99.82	99.45
Female Employee training coverage	%	99.75	99.91
General Employee training coverage	%	99.56	99.03
Middle-level Employee training coverage	%	100.00	100.00
Senior-level Employee training coverage	%	20.00	37.50
Average number of hours of employee training			
Average number of hours of employee training	hour	34	27
Average number of hours of female employee training	hour	34	27
Average number of hours of male employee training	hour	34	27
Average number of hours of senior-level employee training	hour	17	32
Average number of hours of middle -level employee training	hour	162	94
Average number of hours of general employee training	hour	32	26

B4 Labor Standards

The Group strictly complies with the labor code and laws of the PRC and Thailand, and has also formulated internal policies and norms such as *Xingda's Recruitment Management Regulations, Management Measures on Prohibition of Employment of Child Labor, Management Measures on Prohibition of Forced Labor, Management Regulations on Anti-Discrimination, Anti-Harassment and Anti-Abuse and Employee Handbook* to strictly prevent the occurrence of child labor and forced labor. During the reporting period, the Group did not violate any laws and regulations relating to the employment of child labor or forced labor.

Society – *CONTINUED*

B Employment and Labor Regulations – *Continued*

B4 Labor Standards – Continued

The Group strictly implements the *Regulations on the Prohibition of Using Child Labor*, explicitly writes the prohibition of child labor into its recruitment system, and strictly examines the identity information of applicants during recruitment to avoid incidents of child labor. During the reporting period, the Group did not employ underage workers. With regard to the avoidance of forced labor, the Group surveys the situation at each subsidiary from time to time and encourages employees to proactively report any actual or suspected forced labor through channels such as townhall meetings and welfare committees.

When reviewing the implementation of labor guidelines, once child labor or forced labor is found, we will provide timely protection of the right to compulsory education and support for victimized workers through a comprehensive follow-up system, and make arrangements for corrective actions afterwards.

B Operating Practices

B5 Supply Chain Management

The Group has taken measures to continuously strengthen its supply chain management capabilities in various dimensions. We have established a standardized supplier management system and implemented internal management mechanisms. Through conducting supplier audits on a regular basis, we have identified and eliminated potential risks. In addition, we focus on the improvement of our internal supply chain management capabilities and have established a comprehensive training and assessment mechanism for our procurement system.

For the purpose of product quality control, the Group has formulated the *Supplier Management Regulations, Supplier Code of Conduct* and other regulations to clarify special management processes for different types of suppliers to integrate our quality requirements into the control of the supply chain. In 2021, the Group added new environment-related requirements to the original supplier management process and refined the process of quality supervision to further strengthen the management of suppliers.

In terms of internal management, the Group values the selection, evaluation and management of suppliers that provide long-term raw and auxiliary materials, equipment and spare parts in order to ensure satisfactory products and services are provided. Our supplier management focuses on the management of the supplier entry process and the management of existing suppliers.

Society – *CONTINUED*

B Operating Practices – *Continued*

B5 Supply Chain Management – Continued

Supplier Management Measures

Management Links	Management Content	New Management Content Added in 2021
Supplier Entry	**Compliance and system requirements** • Confirm that the products, processes and services provided by suppliers meet the requirements of national laws and regulations and have passed relevant certifications, such as ISO 9001 quality management system certification **Supplier audit and evaluation** • Review supplier questionnaires, RFQs and product drawings/technical requirements and other documents provided by suppliers • Complete multi-party evaluations by the Technology Center, Quality Center, Procurement Department, etc.	• Add requirements for energy efficiency
Existing Supplier Management	**Supplier evaluation** • Perform process verification on samples provided by suppliers, and develop a sample trial approval report • Conduct on-site evaluation of suppliers and classify them into A, B, C and D levels according to the results for graded management **Daily management of suppliers** • Regularly verify the quality management system certification of suppliers • Regularly ask suppliers to sign guarantee agreements, etc. **Supplier supervision and improvement** • Contact with suppliers in a timely manner to rectify existing problems • When supplier audits are not passed, propose correction requests to the suppliers, and follow up on their delivery and improvement	• Strengthen the management of raw material suppliers: require raw material suppliers to provide PPAP (Production Part Approval Process) information management list • Strengthen the management of indirect suppliers: ensure that agents are matched with manufacturers to ensure traceability

Society – *CONTINUED*

B Operating Practices – *Continued*

B5 Supply Chain Management – Continued

In terms of supplier audits, we conduct at least one annual appraisal of major raw and auxiliary material suppliers each year. The Purchasing Department is responsible for setting up a supplier evaluation team. The appraisal adopts quantitative evaluation, and quantitative assessment and evaluation of suppliers are conducted based on pre-defined criteria or bases. In 2021, the Group conducted on-site surveys of key suppliers, and conducted random checks on their licenses and qualifications, equipment conditions, processes, raw materials and product quality, all of which resulted in good performance.

In terms of procurement training, we attach importance to the capability and growth of our internal supply chain management personnel and conduct regular training and assessment for our procurement personnel to enhance their supply chain management capability. In 2021, we conducted training and assessment for our procurement personnel on internal procurement norms and processes and moral procurement code of conduct.

Responsible Supply Chain

Xingda attaches great importance to the performance of its suppliers at the environmental, social and governance levels. The Group has established a *Code of Conduct for Suppliers*, which requires all suppliers to focus on their management in the areas of ethics, labor and human rights, health and safety, and the environmental aspects, while encouraging them to use environmentally friendly products and services. Xingda conducts audits of suppliers for the aforementioned areas.

In addition, the Group requires major raw and auxiliary material suppliers to sign the *Anti-Bribery Pledge for Suppliers* to prevent commercial bribery actions and safeguard the legitimate rights and interests of both parties. In the annual supplier audit, we assess and rate important raw and auxiliary material suppliers based on the *Social Responsibility Assessment Form*, which contains 50 subdivided questions in seven areas, including business ethics, prohibition of child labor, working hours and wages, and environmental management, etc. In 2021, the percentage of major raw and auxiliary material suppliers who have signed the *Code of Conduct for Suppliers* and the *Anti-Bribery Pledge for Suppliers* exceeds 90%.

Society – *CONTINUED*

B Operating Practices – *Continued*

B5 Supply Chain Management – Continued

Responsible Supply Chain – *Continued*

Responsible Supply Chain Management Dimensions

Dimensions of Concern	Examples of specific requirements of the Code of Conduct for Suppliers
Business Ethics	
• Anti-Corruption	• Shall not commit or tolerate any form of corruption, extortion or embezzlement
• Integrity in Business	• Conduct business in a manner that ensures fair competition and compliance with all applicable anti-trust laws
• Conflict Minerals Statement	• Ensure that the metals supplied to us are not originate from minerals or their derivatives from conflict areas directly or indirectly financed or subsidized by armed groups
Environment	
• Environmental Management System	• Comply with all applicable environmental regulations, identify and manage their own environmental risks
• Environmental compliance	• Control or reduce environmentally hazardous emissions, and improve resource utilization
• Waste Discharge and Resource Consumption	• Use natural resources sparingly, develop climate-friendly products and processes, and reduce greenhouse gas emissions
Labor	
• Labor and Human Rights	• Prohibit child labor and prevent forced labor
• Anti-discrimination and diversity	• Comply with the principles of equality, diversity, and anti-discrimination
• Wages and benefits	• Fair treatment; employee remuneration meets legal requirements
Health and Safety	
• Employee safety protection	• Protect employees from workplace injuries
• Product hazard information	• Inform employees about hazardous substances in products
• Emergency preparedness and response	• Make emergency preparedness for potential risks in the workplace

Society – *CONTINUED*

B Operating Practices – *Continued*

B5 Supply Chain Management – Continued

Responsible Supply Chain – *Continued*

Supplier Performance Sheet

Indicators	Unit	2021	2020
Total number of suppliers	–	270	270
Number of suppliers in mainland China	–	267	267
Number of suppliers in Hong Kong, Macau, Taiwan and overseas	–	3	3
Percentage of major raw material suppliers who have signed the supplier code of conduct	%	90.9	90.9
Number of suppliers who performed performance assessments in environmental, labor, and ethical aspects according to the company's supplier assessment system	–	31	Not applicable
Number of suppliers identified as having real and potentially significant negative social or environmental impacts	–	0	0

B6 Product Responsibility

The Group is a professional supplier of rubber reinforcement materials. Our products include steel cord, bead wire and hose wire, etc. Our customers include leading tire and hose manufacturers at home and abroad. We are committed to being a reliable products and services provider. By strictly complying with relevant laws and regulations and ensuring high standards of quality and services, we have been able to continuously enhance customer loyalty and build trustful relations. During the reporting period, there were no violations of health and safety and labeling laws for the products and services provided by us.

List of Applicable Laws and Regulations

Regions	Applicable Laws and Regulations
China	*Law of the People's Republic of China on Product Quality, Law of the People's Republic of China on Standardization and Rules for the Administration of Industrial Production Licenses, etc.*

Society – *CONTINUED*

B Operating Practices – *Continued*

B6 Product Responsibility – Continued

We have developed a systematic quality management system that covers all aspects including production, promotion, marketing, and customer communication.

List of Management Regulations and Measures Related to Product Quality Management

Management Links	Management Regulations and Measures
Product Quality Management	• Establish the *Quality Manual*, which sets out the Group's quality policy and the scope of the quality management system, serving as a programmatic document for our minimum requirements for quality management and external quality commitments. • Establish 33 procedural documents such as *Inspection Regulations, Control of Non-conforming Products from Suppliers, Control of Process and Final Non-conforming Products and Internal Quality Audit* to standardize production process management and product quality management throughout the product lifecycle.
Product and Service Labeling	• Strictly implement the management of product labeling according to the *Management System of Labeling and Traceability*.
Intellectual Property Management	• Formulate the *Management of Intellectual Property Right*s to safeguard our own intellectual property rights without infringing on the intellectual property rights of others.
Customer Privacy Protection	• Establish the *Staff Confidentiality Regulations, Information Management System* and other rules to strictly protect customer privacy.

Product Quality Management

All manufacturing bases of the Group have been certified by IATF 16949: 2016 quality management system, and the detailed management mechanism of each product quality inspection process has been improved in accordance with the requirements of the management system standard. We have set up *Inspection Regulations* to clarify the quality control parameters of steel cord, bead wire, hose wire and chemical solutions, as well as inspection and sampling methods, inspection frequency, and acceptance guidelines of semi-finished products and finished goods.

The quality of our products is subject to two levels of inspection: self-inspection and sampling inspection. In the case of steel cord products, for example, our quality inspection covers every process after warehouse entry until the final packing and shipping. After each process is completed, the production department is required to conduct its own inspection before proceeding to the next process. Sampling inspection includes performance inspection by quality inspector after the process is completed at the back end of steel cord production, and the inspection records are compiled into a daily product quality report. The product quality certificate is sent to customers along with the product.

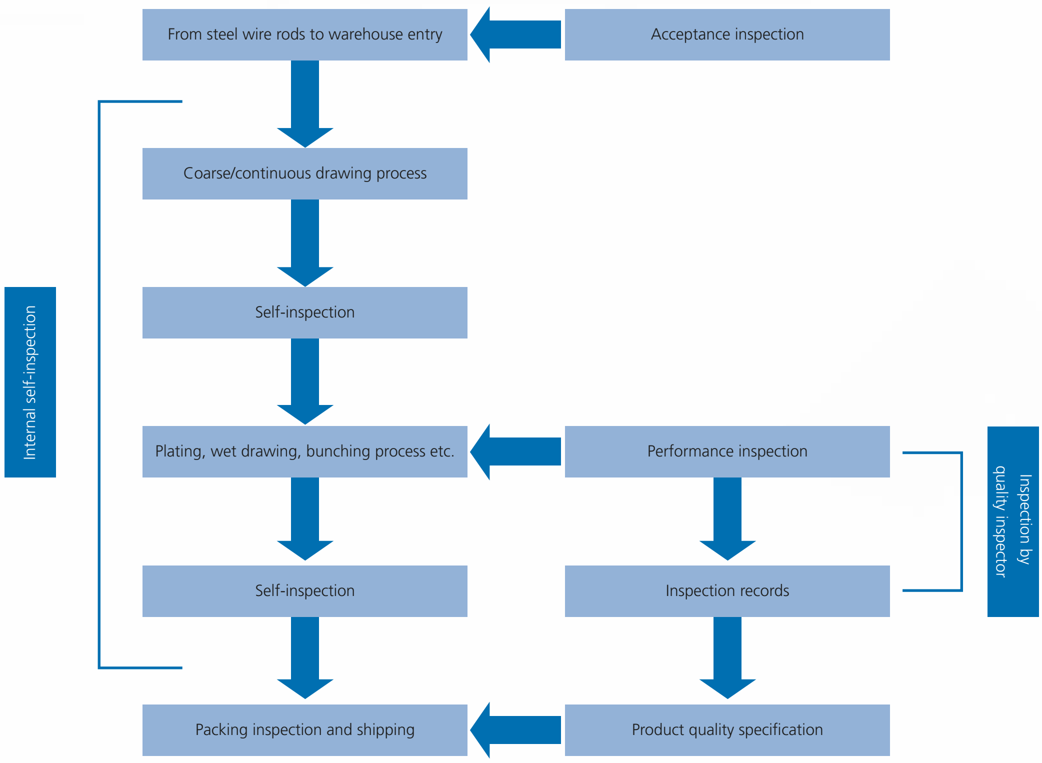
Society – *CONTINUED*

B Operating Practices – *Continued*

B6 Product Responsibility – Continued

Product Quality Management – *Continued*

We conduct product quality and safety tests in accordance with the mainstream testing requirements at home and abroad, and conduct RoHS[1] and REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances) tests on products such as steel cord, bead wire and hose wire, all of which meet the requirements. At the same time, we have also issued safety technical specifications (SDS) for steel cord, bead wire, hose wire and other products.



1 Restriction of Hazardous Substances, a mandatory Standard established by European Union Legislation

Society – *CONTINUED*

B Operating Practices – *Continued*

B6 Product Responsibility – Continued

Product Quality Testing Process

In terms of quality training, in 2021, the Group organized a total of 180 internal and external training sessions for all kinds of quality-related training, including 176 internal training sessions and 4 external training sessions. In addition, we have participated in 7 training sessions on quality organized by our customers. Among them, Product Safety and Conformity Representative (PSCR) qualification training and APQP advance quality planning training are closely related to the quality management system with great help to our overall quality management capability.

We manage our non-conforming products and product recall procedures through the *Product Recall Management System, Regulations for the Handling of Returned Products, Regulations for the Management of Non-conforming Products, and Methods of Classification and Disposal of Non-conforming Products*. During the reporting period, the Group did not have any incident requiring product recall due to product safety reasons.

Product Quality Performance Sheet

Indicators	**Unit**	**2021**	**2020**
Number of complaints received about products and services	count	40	34
Complaint handling rate	%	100	100

Intellectual Property Protection

While strengthening innovative research and development, the Group is determined to safeguard its own intellectual property rights without infringing on the intellectual property rights of others, with a focus on the protection of technological innovation achievements and intangible assets such as trademarks, patents and copyrights. Through a standardized intellectual property management system and the establishment of clear reporting and usage procedures, the management, protection and utilization of intellectual property rights can be carried out in an orderly manner in accordance with the law. We have passed the certification of GB/T 29490-2013 Enterprise Intellectual Property Management (valid until December 28, 2024).

Our Intellectual Property Management Department improved the protection and management of intellectual property rights in accordance with the *Measures for the Management of Intellectual Property Rights*, and strengthened the management by setting up confidentiality clauses for employees and providing theoretical and practice-related training for employees of the intellectual property department. In 2021, we supported and participated in projects carried out by relevant government departments to promote the application of scientific and technological achievements, including the High Value Patent Cultivation Project of Jiangsu Province and the Xingda Taizhou Major Science and Technology Achievement Transformation Project.

Society – *CONTINUED*

B Operating Practices – *Continued*

B6 Product Responsibility – Continued

Privacy Protection

The Group attaches great importance to information security and privacy protection. Our Intellectual Property Management Department strictly protects customer privacy in accordance with the *Staff Confidentiality Regulations* and other rules. We restrict the access to customer data by unauthorized employees or third parties in physical or digital form through internal controls.

In 2021, we launched the Xingda Enterprise Space to enhance the controllability and traceability of document management. Within the system, all our internal documents are encrypted and managed with hierarchical permissions for reading, modifying and downloading documents. Employees who have no authority need to apply for process approval for use of encrypted documents.

During the reporting period, the Group didn't have any breaches in respect of data privacy matters.

B7 Anti-Corruption

The Group maintains a zero tolerance for anti-corruption and bribery. We are committed to creating an environment of fair play, honesty, openness and transparency, and to strict compliance with laws and regulations. In the reporting period, there were no corruption litigation cases filed by issuers or their employees and concluded by the Group.

List of Applicable Anti-Corruption Laws and Regulations

Region	**Applicable Laws and Regulations**
China	Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, etc.

The Group has established internal management systems related to anti-corruption and anti-fraud, such as the *Employee Handbook and the Business Ethics Handbook*, which strictly prohibit all our employees from embezzlement, misappropriation, theft of funds, property or violation of trade secrets, and require our employees as well as our supplier partners to comply with the Group's business ethics regulations.

Society – *CONTINUED*

B Operating Practices – *Continued*

B7 Anti-Corruption – Continued

The Group has established open and transparent communication and reporting channels with various stakeholders, and strictly prevents illegal activities through independent audit department and internal monitoring system. The Group set up an email address (zpy@xingda.com.cn) and a special line (0523-80956588) for employees and suppliers, etc. to supervise and report on departmental malpractices and employee misconducts, for which the Group will assign a dedicated department to handle in a timely manner. In case of complaints that cannot be dealt with, employees can also directly appeal to the Group's party organization, labor union organization or disciplinary committee.

The Group has established a system for employees to declare their interests on their own initiative, and has held monthly publicity meetings to raise awareness of anti-corruption among employees. In 2021, we conducted anti-corruption training in the form of meetings and campaigns for board members and key employees.

The Group has established a complete whistleblower protection mechanism, prohibiting retaliation against whistleblowers to protect their safety and interests. We strictly prohibit the disclosure of names, departments, company names and other information of whistleblowers; and the original or copies of materials for whistleblowing shall not be presented during the investigation and verification. If there is any employee who leaks the information of whistleblowers or takes retaliation against them, the Group will terminate the labor contract with the employee. For those who violate the law, they will be transferred to judicial organs for punishment.

Anti-Corruption Performance Sheet

Indicators	Unit	2021	2020
Number of corruption lawsuits filed and concluded against the issuer or its employees during the reporting period	count	0	0
Number of employees involved in anti-corruption related training	person	857	881
Total number of hours of anti-corruption training received by employees [1]	hour	3,061	2,957

1. The total length of employees receiving anti-corruption training is obtained by accumulating the data of different sessions, and the single data is the number of people in a single anti-corruption training × the duration of a single anti-corruption training.

Society – *CONTINUED*

B Operating Practices – *Continued*

B8 Community Investment

Our manufacturing bases have established a regular communication mechanism with communities in the regions where we operate, so that we can maintain close contact with them to understand the needs of the local communities and provide assistance in a timely manner. The Group plans to continuously invest resources and mobilize employees to participate in local community activities.

In terms of labor demand, Jiangsu Xingda, with its ability in talent cultivation, has been recognized as a vocational skill rating organization for electricians and lifting and handling machinery operators, continuously carrying out qualification recognition for relevant occupations in enterprises around Xinghua, helping employees of neighboring SMEs to obtain relevant training and supporting vocational education in the local community.

In terms of community care, the Group paid a visit to the sanitation workers of Dainan Town Environment Sanitation Office in February 2021 with a contribution of RMB60,000. Besides, Xingda Thailand actively supports local elderly care and community education by organizing and participating in activities such as local senior citizen’s day and children’s day in elementary school.

In 2021, the Group actively participated in the COVID-19 prevention actions in the surrounding communities. We paid visits to the staff involved in the COVID-19 prevention and control in Dainan Town and provided living goods worth a total of RMB30,000 to several anti-pandemic frontlines. Xingda Thailand participated in a charity event held in Pattaya in July and August 2021 to provide free boxed meals to people affected by the pandemic and living in difficulty, and sponsored the event with 10,000 baht.

Society – *CONTINUED*

B Operating Practices – *Continued*

B8 Community Investment – Continued

Regarding staff volunteer activities, the Group organized more than 100 staff members to participate in blood donation on 6 March 2021. Meanwhile, in the "Safety Production Month" activity in June, Jiangsu Xingda organized volunteers to publicize the traffic safety regulations and concepts of "cherishing life and refusing to drive dangerously" in the surrounding communities.

Community Investment Performance Sheet

Indicators	**Unit**	**2021**	**2020**
Amount of community benefit investment	10,000 RMB	14.33	87.93
Amount of community benefit investment (environmental protection)	10,000 RMB	11.00	7.00
Amount of community benefit investment (health care)	10,000 RMB	3.00	51.66
Amount of community benefit investment (others)	10,000 RMB	0.33	29.27
Amount of charitable donation	10,000 RMB	0.00	0.00
Number of employees involved in volunteer	person	206	100
Total employee volunteer service hours	hour	360	220

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Part B: Comply Provisions

Comply item	**Report sections**
Governance Structure	Sustainability Governance Structure
The principle of the report	Description of the Report
The scope of the report	Description of the Report

Part C: "Comply or explain" Provisions

Aspects, General Disclosures and KPIs	**Report sections**
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A1.1	A1 Emissions (Exhaust Emissions) A1 Emissions (Wastewater Discharge)
A1.2	A4 Climate Change (Risk Management)
A1.3	A1 Emissions (Solid Waste)
A1.4	A1 Emissions (Solid Waste)
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A1.6	A1 Emissions (Solid Waste)
A2 Resource Consumption	A2 Resource Consumption
A2.1	A2 Resource Consumption (Energy Use)
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A2.3	A2 Resource Consumption (Energy Use)
A2.4	A2 Resource Consumption (Use of Water Resources)
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HKEX ESG Reporting Guide Index – *Continued*

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B2.3	B2 Health and Safety (Safety production) B2 Health and Safety (Occupational Health)
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B7.1	B7 Anti-Corruption
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B8.1	B8 Community Investment
B8.2	B8 Community Investment

Independent Verification Statement

To the man agement and stakeholders of Xingda International Holdings Ltd.,

TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch (hereinafter referred to as "TÜV SÜD") has been engaged by Xingda International Holdings Ltd. (hereinafter referred to as "Xingda International" or "the Company") to perform an independent third-party verification on Xingda International Holdings Ltd. Environmental, Social and Governance (ESG) Report 2021 (hereinafter referred to as "the Report"). During this verification, TÜV SÜD's verification team strictly abided by the contract signed with Xingda International and provided verification regarding the Report in accordance with the provisions agreed by both parties and within the authorized scope stipulated in the contract.

This Independent Verification Statement is based on the data and information collected by Xingda International and provided to TÜV SÜD. The scope of verification is limited to the said information. Xingda International shall be held accountable for authenticity and completeness of the provided data and information.

Scope of Verification

Time frame of this verification:

- The Report contains the data disclosed by Xingda International during the reporting period from 1st January, 2021 to 31st December, 2021, including economic, environmental and social information and data, methods for management of material topics, actions/measures and the Company's sustainable development performance during the reporting period.

Physical boundary of this verification:

- Remote verification took place due to Covid-19 pandemic.

The following information and data are beyond the scope of this verification:

- Any information or contents beyond the reporting period of this Report; and

- Data and information of Xingda International's suppliers, partners and other third parties; and

- The financial data and information disclosed in this Report that have been audited by an independent third party are not verified again herein.

Independent Verification Statement – *CONTINUED*

Limitations

- This verification was performed at aforementioned physical boundary. Sampling verification was adopted for the data and information in the Report by TÜV SÜD, and only the stakeholders within the organization were interviewed; and

- The Company's standpoint, opinions, forward-looking statements and predictive information as well as the historical data and information before January 1st, 2021 are beyond the scope of this verification.

Basis for the Verification

This verification process was conducted by TÜV SÜD's expert team who are highly experienced in corporate social responsibility, economic, environmental and other relevant issues and this team drew the conclusions thereof. The verification referred to the following standards:

- HKEX (Hong Kong Stock Exchange) Main Board Listing Rules – Appendix 27: Environmental, Social and Governance Guidelines

- TÜV SÜD Procedure of Verification on Sustainability Report

In order to perform adequate verification in accordance with the contract and provide reasonable verification for the conclusions, the verification team conducted the following activities:

- Preliminary investigation of the relevant information before the verification; and

- Confirmation of the presence of the highly material issues and performance in the Report; and

- Online review of all supporting documents, data and other information provided by Xingda International; tracing and verification of key performance information; and

- Interviews were carried out with the employees who are engaged in collecting, organizing and reporting the disclosed information; and

- Other procedures deemed necessary by the verification team.

Independent Verification Statement – *CONTINUED*

Verification Conclusions

Based on the verification, we believe that the report prepared by Xingda International are reliable, consistent and substantive. The information disclosure is made in an objective, truthful, complete and clear manner, without systematic or material issues, resulting in verification opinions with limited assurance.

As to this report, the verification team has come to the following conclusions:

Materiality	The Company has established a prioritization process for material issues, identified sustainable development topics that are highly relevant to the industry, prioritized the topics and disclosed the company's sustainable development management, actions and performance data. The content of the Report is material.
Quantitative	The key indicators disclosed by the Company are quantitative. Reference standards and/or calculation methods were indicated for the disclosed environmental data.
Consistency	The disclosure statistical method that the Company used is consistent. Consistent performance in relevant areas was reflected through consistent data.
Balance	During the process of preparing the Report, the balance of the Report was adequately considered, where both positive and negative information are disclosed.

Recommendations on Continuous Improvement

- It is recommended that the company can expand the scope of disclosure, taking other indirect GHG emissions into account in the report to be disclosed next year.

Independent Verification Statement – *CONTINUED*

Statement on Independence and Verification Capability

TÜV SÜD is a trusted partner of choice for safety, security and sustainability solutions. It specializes in testing, certification, audit and advisory services. Since 1866, TÜV SÜD has remained committed to its purpose of enabling progress by protecting people, the environment and assets from technology-related risks. Today, TÜV SÜD is present in over 1,000 locations worldwide with its headquarters in Munich, Germany. TÜV SÜD has been committed to sustainable development and actively promotes environmental protection related projects. Over the years, TÜV SÜD has been actively expanding its performance in energy management, renewable resources, and electric automobiles, etc., helping its customers meet sustainable development needs.

TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch is one of TÜV SÜD 's global branches and has an expert team whose members have professional background and rich industrial experiences.

TÜV SÜD and Xingda International are two entities independent of each other. Both TÜV SÜD and Xingda International and their branches or stakeholders have no conflict of interest. No member of the verification team has business relationship with the Company. The verification is completely neutral. All the data and information in the Report are provided by Xingda International. TÜV SÜD has not been involved in preparation and drafting of the Report, except for the verification itself and issuance of the verification statement.

Signature:

On Behalf of TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch

Zhu Wenjun

TÜV SÜD Sustainability Authorized Signatory

Date: 30th March, 2022

Note: In case of any inconsistency or discrepancy, the traditional Chinese version of this verification statement shall prevail, while the English translation is used for reference only.

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

Opinion

We have audited the consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 118 to 215, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters – *CONTINUED*

Key audit matter	How our audit addressed the key audit matter
Cut-off of revenue recognition from contracts with customers	
The Group sells radial tire cords and wires to external customers and revenue is recognised at a point in time when the control of the goods is transferred to the customers in accordance with agreed delivery terms. Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda"), a subsidiary of the Company, recognised revenue from contracts with external customers amounted to RMB7,921,034,000 for the year ended 31 December 2021, representing 74% of total revenue of the Group. The risk of revenue being recognised in an incorrect accounting period of Jiangsu Xingda presents as a key audit matter, due to the financial significance of revenue recognised in the consolidated financial statements and various types of goods delivery terms involved in sales contracts with its customers in different geographical locations.	Our audit procedures in relation to cut-off of revenue recognition from contracts with customers included: • Understanding the business process of revenue recognition from contracts with customers and testing the design, implementation and operating effectiveness of key controls relevant to the cut-off of revenue recognition; • Reviewing sales terms as stated in the sales contracts, on a sample basis, to assess whether the Group's revenue recognition policy is in compliance with IFRS 15 Revenue from Contracts with Customers; and • Checking, on a sample basis, the recorded transactions by examining the underlying supporting evidences in accordance with the delivery terms of respective sales transactions, such as logistic information, bill of lading, or other documents, to assess whether the sales transactions are recorded in the correct accounting periods.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – *CONTINUED*

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Leung, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2021

	NOTES	**Year ended 31/12/2021 *RMB'000***	Year ended 31/12/2020 *RMB'000*
Revenue	6	**10,645,310**	7,679,907
Cost of sales		**(8,580,412)**	(6,151,399)
Gross profit		**2,064,898**	1,528,508
Other income	7	**189,785**	159,225
Government grants	8	**20,567**	18,400
Distribution and selling expenses		**(999,339)**	(564,742)
Administrative expenses		**(463,447)**	(563,280)
Other gains and losses, net	9	**(83,718)**	(51,576)
Impairment losses under expected credit loss model, net of reversal		**(7,507)**	7,351
Research and development expenditure		**(138,801)**	(108,485)
Finance costs	10	**(163,437)**	(80,961)
Profit before tax		**419,001**	344,440
Income tax expense	11	**(112,036)**	(168,992)
Profit for the year	12	**306,965**	175,448
Other comprehensive expense			
Item that can be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(84,732)**	(49,203)
Total comprehensive income for the year		**222,233**	126,245
Profit for the year attributable to:			
Owners of the Company		**218,855**	114,996
Non-controlling interests		**88,110**	60,452
		306,965	175,448
Total comprehensive income for the year attributable to:			
Owners of the company		**159,251**	68,628
Non-controlling interests		**62,982**	57,617
		222,233	126,245
Earnings per share	15		
Basic (RMB cents)		**13.46**	7.39
Diluted (RMB cents)		**13.37**	*7.35*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	**31/12/2021**	31/12/2020
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	16	**5,729,026**	4,543,522
Right-of-use assets	17	**627,204**	401,119
Freehold land	18	**64,105**	73,061
Investment properties	19	**121,740**	121,740
Term deposits	25	**803,228**	2,525,942
Deferred tax assets	20	**114,480**	72,698
Prepayments	21	**20,963**	23,963
		7,480,746	7,762,045
CURRENT ASSETS			
Inventories	22	**1,355,395**	773,681
Financial assets at fair value through profit or loss	23	**149,516**	84,384
Trade, bills and other receivables	24	**8,173,246**	6,157,711
Term deposits	25	**1,930,941**	5,011
Bank balances and cash	25	**712,365**	911,965
		12,321,463	7,932,752
CURRENT LIABILITIES			
Trade, bills and other payables	26	**5,777,411**	3,748,887
Contract liabilities	27	**44,847**	38,480
Amount due to a related company	28	**–**	3,415
Tax liabilities		**30,015**	77,284
Dividend payable to non-controlling interests		**263,377**	328,976
Borrowings – due within one year	29	**4,789,478**	2,903,181
Bank overdrafts	29	**–**	21,000
Lease liabilities	31	**595**	572
Obligations arising from repurchase of shares	32	**248,962**	–
		11,154,685	7,121,795
NET CURRENT ASSETS		**1,166,778**	810,957
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,647,524**	8,573,002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	**31/12/2021**	31/12/2020
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	**49,274**	42,128
Borrowings – due after one year	29	**760,000**	670,000
Deferred income	30	**226,713**	48,805
Lease liabilities	31	**899**	1,494
Obligations arising from repurchase of shares	32	**–**	231,533
		1,036,886	993,960
NET ASSETS		**7,610,638**	7,579,042
CAPITAL AND RESERVES			
Share capital	33	**163,218**	158,603
Share premium and other reserves		**5,536,632**	5,499,008
Equity attributable to owners of the company		**5,699,850**	5,657,611
Non-controlling interests	42(ii)	**1,910,788**	1,921,431
TOTAL EQUITY		**7,610,638**	7,579,042

The consolidated financial statements on pages 118 to 215 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

LIU JINLAN,
DIRECTOR

ZHANG YUXIAO,
DIRECTOR

	Attributable to owners of the Company											Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital contribution reserve RMB'000 (Note b)	Statutory common reserve RMB'000 (Note c)	Capital redemption reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Shares held under share-award scheme RMB'000	Share-based payment reserve RMB'000	Total RMB'000		
At 1 January 2020	151,728	–	308,047	(130,150)	798,202	9,700	40,013	4,397,263	(12,437)	4,291	5,566,657	2,108,372	7,675,029
Profit for the year	–	–	–	–	–	–	–	114,996	–	–	114,996	60,452	175,448
Other comprehensive expense for the year	–	–	–	–	–	–	(46,368)	–	–	–	(46,368)	(2,835)	(49,203)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(46,368)	114,996	–	–	68,628	57,617	126,245
Appropriations	–	–	–	–	41,802	–	–	(41,802)	–	–	–	–	–
Effect of share exchange of two non-wholly owned subsidiaries	–	–	(64,004)	–	–	–	–	–	–	–	(64,004)	64,004	–
Capital injection from non-controlling interests	–	–	(12,833)	–	–	–	–	–	–	–	(12,833)	242,833	230,000
Effect of put option of shares of a subsidiary granted to non-controlling interests *(note 32)*	–	–	–	–	–	–	–	–	–	–	–	(230,000)	(230,000)
Issuance of scrip shares *(note 14)*	6,875	92,821	–	–	–	–	–	–	–	–	99,696	–	99,696
Dividend recognised as distribution *(note 14)*	–	(92,821)	–	–	–	–	–	(112,002)	–	–	(204,823)	–	(204,823)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(394,172)	(394,172)
Shares vested under the share-award scheme	–	–	–	–	–	–	–	(2,351)	8,897	(6,546)	–	–	–
Recognition of equity-settled share-based payments *(note 34)*	–	–	198,071	–	–	–	–	–	–	6,219	204,290	72,777	277,067
At 31 December 2020	158,603	–	429,281	(130,150)	840,004	9,700	(6,355)	4,356,104	(3,540)	3,964	5,657,611	1,921,431	7,579,042
Profit for the year	–	–	–	–	–	–	–	218,855	–	–	218,855	88,110	306,965
Other comprehensive expense for the year	–	–	–	–	–	–	(59,604)	–	–	–	(59,604)	(25,128)	(84,732)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(59,604)	218,855	–	–	159,251	62,982	222,233
Appropriations	–	–	–	–	46,208	–	–	(46,208)	–	–	–	–	–
Issuance of scrip shares *(note 14)*	4,615	76,602	–	–	–	–	–	–	–	–	81,217	–	81,217
Dividend recognised as distribution *(note 14)*	–	(76,602)	–	–	–	–	–	(126,259)	–	–	(202,861)	–	(202,861)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(73,625)	(73,625)
Shares vested under the share-award scheme	–	–	–	–	–	–	–	5,976	–	(5,976)	–	–	–
Recognition of equity-settled share-based payments (note 34)	–	–	–	–	–	–	–	–	–	4,632	4,632	–	4,632
At 31 December 2021	**163,218**	**–**	**429,281**	**(130,150)**	**886,212**	**9,700**	**(65,959)**	**4,408,468**	**(3,540)**	**2,620**	**5,699,850**	**1,910,788**	**7,610,638**

Notes:

(a) Special reserve as at 1 January 2021 and 31 December 2021 of RMB429,281,000 represents (i) the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares in prior year; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda"), a subsidiary of the Company, at date of acquisition in prior year; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda"), a subsidiary of the Company, and the fair value of consideration paid in relation to the acquisition of the equity interest in 2016; (iv) the difference between the consideration paid by Jiangsu Xingda and the net carrying amount of 90% equity interest in Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), a subsidiary of the Company, in 2019; (v) the difference between the net carrying amount of additional 3.77% equity interest in Jiangsu Xingda acquired by Faith Maple through the subscription of 212,229,323 new shares issued by Jiangsu Xingda with an amount of RMB689,745,000 in 2019; (vi) the difference between the consideration paid by 5 strategic investors, namely 成山集團有限公司 (Chengshan Group Co., Ltd.*) ("Chengshan Group"), 玲瓏輪胎有限公司 (Linglong Tire Co., Ltd.*) ("Linglong Tire"), 賽輪集團股份有限公司(Sailun Group Co., Ltd.*) ("Sailun Group"), 三角輪胎股份有限公司(Triangle Tyre Co., Ltd.*) ("Triangle Tyre") and 嘉興建信宸玥股權投資合夥企業(有限合夥) (Jiaxing Jianxin Chenyue Equity Investment Enterprise (Limited Partnership)*) ("Jiaxing Jianxin Chenyue") for 3.35% equity interest in Jiangsu Xingda and respective carrying amount of 3.35% of net assets of Jiangsu Xingda subgroup with an amount of RMB12,833,000 in 2020; (vii) the difference between the aggregate amount of net assets related to 42.38% and 24.50% equity interest in Shandong Xingda transferred from Faith Maple and 東營融聚投資中心(有限合夥) (Dongying Rongju Investment Centre (Limited Partnership)*), the then shareholders of Shandong Xingda and 2.47% of net assets of Jiangsu Xingda subgroup with an amount of RMB64,004,000 in 2020; (viii) the difference between the total share-based payment expenses recognised and the change in share of net assets of Jiangsu Xingda by non-controlling shareholders with an amount of RMB198,071,000 in 2020.

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

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

* For identification only

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2021

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**419,001**	344,440
Adjustments for		
Depreciation and amortisation	**610,338**	555,119
Interest income	**(106,072)**	(95,164)
Loss on fair value changes of investment properties	**–**	1,900
Dividend income from financial assets at fair value through profit or loss	**(4,339)**	(2,177)
Loss on disposal of property, plant and equipment	**11,845**	10,271
Impairment losses recognised under expected credit loss model, net of reversal	**7,507**	(7,351)
Recognition of equity-settled share-based payments	**4,632**	277,067
Finance costs	**163,437**	80,961
Loss on change in fair value of financial assets at fair value through profits or loss	**14,228**	289
Amortisation of deferred income	**(7,759)**	(5,804)
Staff housing benefits	**1,400**	24,160
Unrealised exchange gain	**17,975**	7,834
Operating cash flows before movements in working capital	**1,132,193**	1,191,545
(Increase) decrease in inventories	**(581,714)**	74,318
Increase in trade, bills and other receivables	**(2,040,026)**	(934,249)
Decrease in prepayments	**3,000**	3,000
Increase (decrease) in trade, bills and other payables	**1,583,083**	(172,940)
Increase in contract liabilities	**6,367**	32,600
Increase in deferred income	**–**	1,500
(Decrease) increase in amount due to a related company	**(3,415)**	228
Cash generated from operations	**99,488**	196,002
Income taxes paid	**(193,941)**	(130,740)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(94,453)**	65,262

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2021

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
INVESTING ACTIVITIES		
Placement of term deposits	**(100,000)**	(655,011)
Purchases of property, plant and equipment	**(1,500,359)**	(507,120)
Payments for right-of-use assets	**(241,552)**	(57,666)
Withdrawal of term deposits	**–**	112,000
Receipts of assets-related government grants	**185,667**	53,109
Interest received	**2,856**	14,214
Payment for acquiring financial assets at fair value through profit or loss	**(100,000)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**20,640**	–
Proceeds on disposal of property, plant and equipment	**42,059**	5,395
Dividend received from financial assets at fair value through profit or loss	**4,339**	2,177
NET CASH USED IN INVESTING ACTIVITIES	**(1,686,350)**	(1,032,902)
FINANCING ACTIVITIES		
New bank borrowings raised	**6,527,569**	3,811,697
Other loans raised	**10,300**	41,969
Repayments of bank borrowings	**(4,487,785)**	(2,301,157)
Repayment of other loans	**(25,300)**	(145,909)
Dividends paid	**(121,644)**	(105,127)
Dividends paid to non-controlling interests of subsidiaries	**(139,224)**	(65,196)
Interest paid	**(144,854)**	(100,097)
Repayments of lease liabilities	**(572)**	(914)
Proceeds from issue of new shares of a subsidiary	**–**	230,000
NET CASH FROM FINANCING ACTIVITIES	**1,618,490**	1,365,266
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(162,313)**	397,626
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**890,965**	497,912
Effect of foreign exchange rates changes	**(16,287)**	(4,573)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by	**712,365**	890,965
Bank balances and cash	**712,365**	911,965
Bank overdrafts	**–**	(21,000)
	712,365	890,965

1. GENERAL

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures ("IFRS 7").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortised cost.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 April 2021
4 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods 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 if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payments, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.1 Basis of preparation of consolidated financial statements – *continued*

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Basis of consolidation – continued

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

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

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

Business combinations

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Business combinations – continued

Business combinations – *continued*

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Business combinations – continued

Business combinations – *continued*

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms or conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters of that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Leases – continued

The Group as a lessee – *continued*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Leases – continued

The Group as a lessee – *continued*

Lease liabilities – *continued*

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Leases – continued

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Foreign currencies

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Borrowing costs

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as 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.

Government grants related to income 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.

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

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

When the trustee transfers the Company's shares to grantees upon vesting, the consideration paid related to the granted shares vested and the cumulative expense recognised for the granted shares vested are transferred to retained profits.

Taxation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Taxation – continued

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Taxation – continued

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to the same taxation entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or service, or for administrative purposes (other than freehold land and properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Property, plant and equipment – continued

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Investment properties – continued

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

Research and development expenditure

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash- generating unit or group of cash-generating units.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. An impairment loss is recognised immediately in profits or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Impairment on property, plant and equipment and right-of-use assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group for cash-generating units) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – *continued*

Classification and subsequent measurement of financial assets – *continued*

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade, bills and other receivables, term deposits, and bank balances) are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – *continued*

Impairment of financial assets – *continued*

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for credit-impaired debtors and using a collective basis with appropriate groupings for non-credit impaired.

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

(a) Significant increase in credit risk

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – *continued*

Impairment of financial assets – *continued*

(a) Significant increase in credit risk – *continued*

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

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

(b) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – *continued*

Impairment of financial assets – *continued*

(c) Credit-impaired financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – *continued*

Impairment of financial assets – *continued*

(d) Write-off policy

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

(e) Measurement and recognition of ECL

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

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

The ECL for the Group's trade receivables of the credit-impaired debtors are assessed individually. The ECL for the Group's trade receivables of non-credit impaired debtors, bills receivables, other receivables, term deposits and bank balances are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – *continued*

Impairment of financial assets – *continued*

(e) Measurement and recognition of ECL – *continued*

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group 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.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at amortised cost

All financial liabilities including trade, bills and other payables, amount due to a related party, dividend payable to non-controlling interests, borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial liabilities and equity – *continued*

Obligations arising from repurchase of shares of a subsidiary

Obligations arising from repurchase of shares of a subsidiary as set out in note 32 are recognised initially at the present value of contractual stream of future cash flows payable upon exercise of the put options written by the Company to non-controlling shareholders. The Group recognises a debit in equity on initial recognition of the written put over the non-controlling shareholders which is presented as a deduction from non-controlling interests. The gross financial liability arising from the put options is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group.

Subsequent, the financial liabilities are measured at amortised cost, using effective interest method. Prior to the exercise of the put options by non-controlling shareholders, all subsequent changes in the carrying amount of the financial liabilities that result from the remeasurement of the present value of the amount payable upon exercise of the put options to the non-controlling interests are recognised in the profit or loss. The Group will reclassify the liability to equity if the put option expires unexercised.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Estimated provision of ECL for trade receivables

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for trade receivables. The ECL of trade receivables are assessed by using collective basis with appropriate grouping for non-credit impaired debtors and are assessed individually for credit-impaired debtors.

For trade receivables which are non-credit impaired, collective assessment is performed by grouping debtors based on the customers' key market and Group's corresponding internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 40 and 24, respectively.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes borrowings, lease liabilities and obligations arising from repurchase of shares disclosed in notes 29, 31 and 32 respectively and equity attributable to owners of the Company, comprising share capital and reserves.

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

6. REVENUE AND SEGMENT INFORMATION

Revenue

(a) Disaggregation of revenue from contracts with customers

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

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
Sale of products		
Radial Tire Cords		
– For trucks	**5,494,653**	4,192,949
– For passenger cars	**3,524,852**	2,434,003
Bead wires and other wires	**1,625,805**	1,052,955
Total	**10,645,310**	7,679,907
Timing of revenue recognition		
A point in time	**10,645,310**	7,679,907

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

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

(b) Performance obligations for contracts with customers

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

The Group sells radial tire cords and wires to external customers in which the revenue is recognised when the control of the goods has transferred to the customers, mainly being when the goods are either picked up at site or free on board or delivered to the designated locations.

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

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

6. REVENUE AND SEGMENT INFORMATION – *CONTINUED*

Segment information

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

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
The PRC	**5,511,157**	4,175,926
Thailand	**1,051,881**	987,479
	6,563,038	5,163,405

Geographical information

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

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
The PRC (country of domicile)	**7,714,006**	5,950,769
India	**526,271**	255,644
United States of America	**249,786**	162,552
Thailand	**532,025**	316,048
Korea	**209,676**	109,774
Brazil	**168,184**	111,756
Others	**1,245,362**	773,364
	10,645,310	7,679,907

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

No customers contributes over 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020.

7. OTHER INCOME

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
Sales of scrap materials	**54,776**	42,625
Interest income earned on bank balances and bank deposits	**106,072**	95,164
Rental income from investment properties	**4,901**	3,556
Service income	**3,335**	3,184
Sundry income	**20,701**	14,696
	189,785	159,225

8. GOVERNMENT GRANTS

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
Unconditional government grants *(note)*	**12,808**	12,596
Released from deferred income *(note 30)*	**7,759**	5,804
	20,567	18,400

Note: The amount represents government grants received from The People's Government of Xinghua Municipality (興化市人民政府) and Jiangsu Provincial (江蘇省人民政府), as subsidy for the Group's business development, technology improvement on production skills and research on new products. The grant is unconditional at the date the amount was received by the Group and was recognised as income during the year ended 31 December 2021 and 2020.

9. OTHER GAINS AND LOSSES, NET

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
Loss from change in fair value of investment properties	**–**	(1,900)
Loss on disposal of property, plant and equipment	**(11,845)**	(10,271)
Dividend income from financial assets at FVTPL	**4,339**	2,177
Loss on change in fair value of financial assets at FVTPL	**(14,228)**	(289)
Net foreign exchange loss	**(61,984)**	(41,293)
	(83,718)	(51,576)

10. FINANCE COSTS

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
Interests on:		
Bank loans and other borrowings	**146,216**	98,396
Bills receivable discounted	**1,450**	2,729
Lease liabilities	**79**	151
Imputed interest on obligations arising from repurchase of shares (note 32)	**17,429**	1,533
	165,174	102,809
Less: amount capitalised in the cost of qualifying assets	**(1,737)**	(21,848)
	163,437	80,961

Borrowing costs capitalised during the year arose on a specific borrowing with interest rate of 4.85% (2020: on the general borrowing pool and are calculated by applying a capitalisation rate of 3.30%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
Current tax	**129,016**	158,885
Overprovision in prior years	**(3,294)**	(3,166)
Withholding tax paid	**20,950**	35,533
Deferred tax (note 20)	**(34,636)**	(22,260)
	112,036	168,992

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

Following the renewal of the High-tech Enterprise Certificate (the "Certificate") issued on 30 November 2021, Jiangsu Xingda is entitled for the tax incentive as High-tech Enterprise and accordingly, the status of High-tech Enterprise is to be effective for the years 2021, 2022 and 2023. As a result, the tax rate of 15% is used to calculate the amount of current tax for the year ended 31 December 2021 (2020: 15%).

11. INCOME TAX EXPENSE – *CONTINUED*

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

No provision for taxation in Thailand has been made as the Group's subsidiary in Thailand has no assessable profit for both years.

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

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
Profit before tax	**419,001**	344,440
Tax at the PRC tax rate of 25%	**104,750**	86,110
Tax effect of expenses not deductible for tax purposes	**14,196**	102,038
Tax effect of income not taxable for tax purposes	**(5,903)**	(14,774)
Tax effect of tax losses not recognised	**22,571**	13,017
Tax effect of preferential tax rate	**(46,927)**	(61,518)
Overprovision in prior years	**(3,294)**	(3,166)
Withholding tax *(note)*	**26,643**	47,285
Income tax expense for the year	**112,036**	168,992

Note: Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards at a tax rate of 10%. In 2021, one of the PRC subsidiaries (2020: two), Jiangsu Xingda (2020: Shandong Xingda and Jiangsu Xingda) has distributed dividends of RMB174,438,000 (2020: RMB1,073,373,000) to Faith Maple, the Company's immediate holding company.

Other than RMB172,110,000 (2020: RMB115,180,000) retained profits, no deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to RMB2,875,180,000 (2020: RMB2,626,813,000), as the Group is able to control the timing of the reversal of the temporary differences of these PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

During the year ended 31 December 2020, RMB733,653,000 was distributed to Faith Maple by Jiangsu Xingda that respective withholding tax payment was deferred as the whole amount was re-invested in the PRC.

12. PROFIT FOR THE YEAR

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration *(note 13)*		
Salaries, wages and other benefits *(note)*	**821,022**	719,948
Retirement benefits scheme contributions	**83,394**	51,734
Share-based payments	**4,632**	277,067
Total staff costs	**909,048**	1,048,749
Less: capitalised in inventories	**(575,417)**	(449,009)
Less: included in research and development expenditure	**(32,178)**	(35,297)
	301,453	564,443
Auditor's remuneration	**2,554**	2,031
Cost of inventories recognised as an expense	**8,580,412**	6,130,682
Depreciation and amortisation		
– Property, plant and equipment	**595,211**	545,308
– Right-of-use assets	**15,127**	9,811
Total depreciation and amortisation	**610,338**	555,119
Less: capitalised in inventories	**(460,718)**	(446,031)
Less: included in research and development expenditure	**(12,085)**	(5,971)
	137,535	103,117
Gross rental income from investment properties	**(4,901)**	(4,992)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**781**	1,436
Rental income from investment properties, net	**(4,120)**	(3,556)
Short-term lease expenses	**351**	569

Note: The amount included staff housing benefits expenses of RMB1,400,000 (2020: RMB24,160,000) is arising from transfer of staff quarters previously accounted in property, plant and equipment to certain employees.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to seven (2020: seven) directors were as follows:

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Fees	**966**	978
Salaries and other allowances	**10,106**	10,554
Performance related incentive bonus (note)	**13,656**	15,827
Retirement benefit scheme contributions	**43**	160
Share-based payments	**3,167**	79,104
	27,938	106,623

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

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

Year ended 31 December 2021

	Fees ***RMB'000***	**Salaries and other allowances** ***RMB'000***	**Performance related inventive bonus** ***RMB'000*** ***(note)***	**Retirement benefit scheme contributions** ***RMB'000***	**Share-based payments** ***RMB'000***	**Total** ***RMB'000***
Executive Directors						
LIU Jinlan	–	4,006	5,256	–	1,246	10,508
LIU Xiang	–	2,400	3,600	20	623	6,643
TAO Jinxiang	–	2,400	3,600	20	623	6,643
ZHANG Yuxiao	–	1,300	1,200	3	571	3,074
Independent Non-executive Directors						
William John SHARP	322	–	–	–	52	374
KOO Foo Sun, Louis	322	–	–	–	52	374
XU Chunhua	322	–	–	–	–	322
	966	10,106	13,656	43	3,167	27,938

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

Directors – *continued*

Year ended 31 December 2020

	Fees	Salaries and other allowances	Performance related inventive bonus	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000* (note)	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
LIU Jinlan	–	3,846	5,766	–	19,204	28,816
LIU Xiang	–	2,615	3,922	59	34,252	40,848
TAO Jinxiang	–	2,693	4,039	59	18,358	25,149
ZHANG Yuxiao	–	1,400	2,100	42	7,150	10,692
Independent Non-executive Directors						
William John SHARP	326	–	–	–	70	396
KOO Foo Sun, Louis	326	–	–	–	70	396
XU Chunhua	326	–	–	–	–	326
	978	10,554	15,827	160	79,104	106,623

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

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

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

Five highest paid employees

The five highest paid employees of the Group during the year included four directors (2020: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining one (2020: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Salaries, allowances and benefits in kind	**1,640**	1,910
Performance related incentive bonus *(note)*	**2,460**	2,865
Share-based payments	**451**	24,479
	4,551	29,254

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

The employee's emoluments were within the bands:

	Year ended 31/12/2021	Year ended 31/12/2020
HK$5,500,001 – HK$6,000,000	**1**	–
HK$32,500,001 – HK$33,000,000	**–**	1

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

No emoluments were paid by the Group to directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2021 and 2020.

14. DIVIDEND

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2020 – 15.0 HK cents per share (2020: final dividend paid in respect of the year ended 31 December 2019 – 15.0 HK cents per share)	**202,861**	204,823
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2020: 15.0 HK cents) per share	**203,882**	202,861

During the current year, a final dividend of 15.0 HK cents (2020: 15.0 HK cents) per ordinary share in an aggregate amount of RMB202,861,000 (2020: RMB204,823,000) with scrip alternatives in respect of the year ended 31 December 2020 (2020: 31 December 2019) was approved at the annual general meeting of the Company held on 8 June 2021 (2020: 17 June 2020).

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

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Dividends:		
Cash	**121,644**	105,127
Ordinary share alternative	**81,217**	99,696
	202,861	204,823

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2021 of 15.0 HK cents (2020: 15.0 HK cents) per ordinary share in an aggregate amount of RMB203,882,000 (2020: RMB202,861,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company		
Earnings for the purpose of basic and diluted earnings per share	**218,855**	114,996

	Year ended 31/12/2021	Year ended 31/12/2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,626,009**	1,555,857
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**10,532**	9,578
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,636,541**	1,565,435

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 34.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2020	2,365,025	9,875	5,478,018	186,217	65,775	1,053,531	9,158,441
Additions	3,422	3,844	39,763	3,325	9,766	578,747	638,867
Transfer from investment properties	6,300	–	–	–	–	–	6,300
Reclassifications	396,425	–	523,675	13,367	11,709	(945,176)	–
Disposals	(29,748)	(1,187)	(156,212)	(10,672)	(23,244)	–	(221,063)
Exchange realignment	(3,673)	(403)	(5,173)	(37)	2	(42,371)	(51,655)
At 31 December 2020	2,737,751	12,129	5,880,071	192,200	64,008	644,731	9,530,890
Additions	246,364	3,290	15,329	20,987	5,970	1,652,706	1,944,646
Reclassifications	291,388	4,600	759,469	11,745	14,202	(1,081,404)	–
Disposals	(23,690)	–	(164,214)	(1,125)	(880)	–	(189,909)
Exchange realignment	(40,132)	(630)	(37,334)	(66)	(466)	(40,829)	(119,457)
At 31 December 2021	**3,211,681**	**19,389**	**6,453,321**	**223,741**	**82,834**	**1,175,204**	**11,166,170**
DEPRECIATION							
At 1 January 2020	921,631	1,847	3,526,055	132,779	49,420	–	4,631,732
Provided for the year	133,717	1,442	389,509	15,116	5,524	–	545,308
Eliminated on disposals	(14,557)	(260)	(150,224)	(9,966)	(13,942)	–	(188,949)
Exchange realignment	(174)	(21)	(495)	(24)	(9)	–	(723)
At 31 December 2020	1,040,617	3,008	3,764,845	137,905	40,993	–	4,987,368
Provided for the year	185,869	503	375,996	24,459	8,384	–	595,211
Eliminated on disposals	(17,713)	–	(115,416)	(984)	(832)	–	(134,945)
Exchange realignment	(3,812)	(172)	(6,229)	(73)	(204)	–	(10,490)
At 31 December 2021	**1,204,961**	**3,339**	**4,019,196**	**161,307**	**48,341**	**–**	**5,437,144**
CARRYING VALUES							
At 31 December 2021	**2,006,720**	**16,050**	**2,434,125**	**62,434**	**34,493**	**1,175,204**	**5,729,026**
At 31 December 2020	1,697,134	9,121	2,115,226	54,295	23,015	644,731	4,543,522

16. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Construction in progress as at 31 December 2021 and 2020 mainly represents factories and plant, machinery and equipment constructed for the Group's own use.

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

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

The buildings are situated on land in the PRC and Thailand.

17. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2021			
Carrying amount	**625,817**	**1,387**	**627,204**
At 31 December 2020			
Carrying amount	399,163	1,956	401,119
For the year ended 31 December 2021			
Depreciation charge	14,558	569	15,127
Expense relating to short-term leases	–	351	351
Total cash outflow for leases	241,552	1,002	242,554
Additions to right-of-use assets	241,552	–	241,552
For the year ended 31 December 2020			
Depreciation charge	9,093	718	9,811
Expense relating to short-term leases	–	569	569
Total cash outflow for leases	57,666	–	57,666
Additions to right-of-use assets	108,012	1,181	109,193
Transfer from investment properties	27,100	–	27,100

For both years, the Group leases lands in the PRC and office premises for its operations. Lease contracts are entered into for fixed term of 2 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB2,498,000 (2020: RMB53,057,000) in which the Group is in the process of obtaining.

As at 31 December 2021, the Group's certain leasehold lands located in the PRC with carrying amount of approximately RMB204,046,000 (2020: nil) have been pledged as security for the Group's bank borrowings as set out in note 29.

The Group regularly entered into short-term leases for its office premises. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. RIGHT-OF-USE ASSETS – *CONTINUED*

In addition, lease liabilities of RMB1,494,000 are recognised with related right-of-use assets of RMB1,387,000 as at 31 December 2021 (2020: lease liabilities of RMB2,066,000 and related right-of-use assets of RMB1,956,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

18. FREEHOLD LAND

	RMB'000
At 1 January 2020	74,593
Exchange realignment	(1,532)
At 31 December 2020	73,061
Exchange realignment	(8,956)
At 31 December 2021	**64,105**

The Group's freehold land is located in Thailand with infinite useful life.

19. INVESTMENT PROPERTIES

	Completed investment properties *RMB'000*
FAIR VALUE	
At 1 January 2020	157,040
Transferred to right-of-use assets and property, plant and equipment *(note)*	(33,400)
Net decrease in fair value recognised in profit or loss	(1,900)
At 31 December 2020 and 2021	**121,740**

Note: Certain investment properties were transferred to right-of-use assets and property, plant and equipment during the year as the use of these investment properties was changed from held to earn rentals and/or for capital appreciation to the Group's own use.

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

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

19. INVESTMENT PROPERTIES – *CONTINUED*

The fair values of the Group's investment properties at 31 December 2021 have been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2020: Cushman & Wakefield Limited), independent qualified professional valuers not connected with the Group.

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

The key inputs used in valuing the investment properties were the market yield of 4.42% (2020: 4.67%) and rental ranging from RMB124 to RMB142 per square meter per month (2020: RMB139 to RMB161 per square meter per month). Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2021 and 2020 are as follows:

	Level 3	
	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Office premises located in Shanghai	**121,740**	121,740

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

20. DEFERRED TAXATION

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

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Deferred tax assets	**114,480**	72,698
Deferred tax liabilities	**(49,274)**	(42,128)
	65,206	30,570

20. DEFERRED TAXATION – *CONTINUED*

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

	Unrealised gain from property, plant and equipment transferred between group entities *RMB'000* *(note)*	Deferred income *RMB'000*	Differences between accounting depreciation and tax depreciation *RMB'000*	Allowance for credit losses *RMB'000*	Fair value change on investment properties *RMB'000*	Fair value adjustment arising from acquisition of subsidiary *RMB'000*	Undistributed profits of a subsidiary *RMB'000*	Total *RMB'000*
At 1 January 2020	–	–	–	21,262	(9,435)	(3,751)	234	8,310
Charge (credit) to profit or loss	36,105	12,201	(7,381)	3,130	(10,188)	145	(11,752)	22,260
At 31 December 2020	36,105	12,201	(7,381)	24,392	(19,623)	(3,606)	(11,518)	30,570
Charge (credit) to profit or loss	17,175	37,676	(531)	(13,069)	(1,067)	145	(5,693)	34,636
At 31 December 2021	**53,280**	**49,877**	**(7,912)**	**11,323**	**(20,690)**	**(3,461)**	**(17,211)**	**65,206**

Note: The deferred tax assets represent tax impact of temporary differences between the carrying amount of the property, plant and equipment transferred and their tax bases. During the year ended 31 December 2020, Jiangsu Xingda invested in Taizhou Xingda Metal Products Co., Ltd ("Taizhou Xingda") by transferring certain property, plant and equipment to Taizhou Xingda as capital contribution at a fair value, which became the tax base of these property, plant and equipment.

At the end of the reporting period, the Group did not have significant deductible temporary differences for which no deferred tax asset has been recognised.

At the end of the reporting period, the Group has unused tax losses of approximately RMB181,165,000 (2020: RMB91,008,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses of approximately RMB178,699,000 (2020: RMB88,542,000) are with expiry dates as disclosed in the following table and during the year ended 31 December 2021, RMB126,000 unrecognised tax losses is expired. Other losses may be carried forward indefinitely.

	31/12/2021 **RMB'000**	31/12/2020 *RMB'000*
2021	**–**	(126)
2022	**(1,761)**	(1,761)
2023	**(7,481)**	(7,481)
2024	**(27,104)**	(27,104)
2025	**(52,070)**	(52,070)
2026	**(90,283)**	–
	(178,699)	(88,542)

21. PREPAYMENTS

The amount of RMB23,963,000 (2020: RMB26,963,000) represents the prepayment of road maintenance and management fee to a government authority for a period of 7.99 (2020: 8.99) years. As at 31 December 2021, an amount of RMB3,000,000 (2020: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as expenses within twelve months after the reporting date while the remaining RMB20,963,000 (2020: RMB23,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

22. INVENTORIES

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Raw materials	**474,823**	419,105
Work in progress	**186,141**	115,038
Finished goods	**694,431**	239,538
	1,355,395	773,681

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Listed securities held for trading:		
– Equity securities listed in Hong Kong *(note 1)*	**71,286**	84,384
– Equity securities listed in A Share Market *(note 2)*	**78,230**	–
	149,516	84,384

Notes

1. The fair value measurement of such investments are classified as Level 1 fair value measurement which are based on the quoted price published on the website of the Stock Exchange. For the year ended 31 December 2021, the Group has recognised a fair value loss of RMB13,098,000 (2020: a fair value loss of RMB289,000) in respect of these listed securities.

2. These securities were acquired during the year. The fair value measurement of such investments are classified as Level 1 fair value measurement which are based on the quoted price published on Shenzhen Stock Exchange. For the year ended 31 December 2021, the Group has recognised a fair value loss of RMB1,130,000 in respect of these listed securities.

24. TRADE, BILLS AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers.

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Trade receivables – goods	**3,099,584**	2,454,551
Less: Allowance for credit losses	**(53,113)**	(95,020)
	3,046,471	2,359,531
Bills receivable	**4,581,209**	3,605,122
Less: Allowance for credit losses	**(1,950)**	(1,950)
	4,579,259	3,603,172
	7,625,730	5,962,703
Advances to suppliers of raw materials	**258,801**	39,331
Prepayments for spool	**50,342**	18,376
Value-added tax recoverable	**188,644**	113,601
Other receivables *(note)*	**30,763**	14,411
Other Prepayments	**24,228**	14,551
Less: Allowance for credit losses on other receivables	**(5,262)**	(5,262)
	547,516	195,008
	8,173,246	6,157,711

Note: Included other receivables and prepayments, RMB33,000 represented prepayments to Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. 興化市興達繡園酒店有限公司 ("Xingda Xiu Yuan"), for the provision of accommodation and catering services to the Group. The amount is unsecured, non-interest bearing and repayable on demand. The relationship of Xingda Xiu Yuan with the Group is set out in note 38.

24. TRADE, BILLS AND OTHER RECEIVABLES – *CONTINUED*

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

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**2,418,187**	1,842,046
91 – 120 days	**257,567**	231,928
121 – 180 days	**176,649**	195,082
181 – 360 days	**176,893**	90,272
Over 360 days	**17,175**	203
	3,046,471	2,359,531
Bills receivable *(note)*		
0 – 90 days	**493,510**	482,520
91 – 180 days	**1,527,692**	1,416,727
181 – 360 days	**2,234,464**	1,610,423
Over 360 days	**323,593**	93,502
	4,579,259	3,603,172

24. TRADE, BILLS AND OTHER RECEIVABLES – *CONTINUED*

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

	31/12/2021	**Equivalent to RMB**	31/12/2020	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
United States Dollar ("USD")	**71,607**	**456,545**	43,998	287,083
EUROS ("EUR")	**15,694**	**113,306**	11,752	94,310
RMB	**1,284**	**1,284**	–	–

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

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB431,183,000 (2020: RMB355,820,000) which are past due as at the reporting date. Out of the past due balances, RMB174,159,000 (2020: RMB81,146,000) has been past due 90 days or more and is not considered as in default as the management considers that there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and credit reassessment of each individual customer. The Group does not hold any collateral over these balances.

24. TRADE, BILLS AND OTHER RECEIVABLES – *CONTINUED*

Details of expected credit losses assessment of trade and other receivables are set out in note 40.

Note: Transfers of financial assets

The following were the Group's financial assets as at 31 December 2021 and 2020 that were transferred to suppliers or banks by endorsing or discounting bills receivable on a full recourse basis. There is no restriction on the use of the bills. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables. The associated assets and liabilities are shown in below. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2021

	Bills receivable endorsed/discounted to suppliers/banks with full recourse
	RMB'000
Carrying amount of transferred assets	3,245,774
Carrying amount of associated assets/liabilities	
– Advances to suppliers of raw materials	1,486,639
– Trade payables	1,658,824
– Payables for purchase of property, plant and equipment	8,720
– Bank borrowings	91,591
Net position	–

As at 31 December 2020

	Bills receivable endorsed/discounted to suppliers/banks with full recourse
	RMB'000
Carrying amount of transferred assets	2,510,728
Carrying amount of associated assets/liabilities	
– Advances to suppliers of raw materials	2,079,831
– Trade payables	427,397
– Payables for purchase of property, plant and equipment	1,800
– Other loans	1,700
Net position	–

25. TERM DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group. The bank balances carry interest rates ranging from 0.01% to 1.15% (2020: 0.01% to 1.30%) per annum.

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Non-current		
Pledged term deposits	**532,995**	801,664
Restricted term deposits	**5,780**	–
Other non-current term deposits	**264,453**	1,724,278
	803,228	2,525,942
Current		
Pledged term deposits	**1,568,571**	–
Other term deposits	**362,370**	5,011
	1,930,941	5,011
	2,734,169	*2,530,953*

Term deposits are placed with banks in the PRC and denominated in RMB. Deposits having a maturity period over 3 months but within 1 year are presented as current assets whilst deposits having a maturity of one to three years (2020: one to three years) are presented as non-current assets. As at 31 December 2021, the directors of the Company consider that the Group will not early withdraw the term deposits before maturity.

Pledged term deposits are term deposits pledged to banks to secure bank borrowings.

Restricted term deposits are term deposits to guarantee purchase agreements of natural gas.

The term deposits are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The effective interest rates on term deposits range from 3.85% to 4.13% per annum (2020: interest rates on term deposits range from 3.85% to 4.13% per annum) for the Group. The carrying amounts of the term deposits of the Group approximated their fair value.

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

	31/12/2021	**Equivalent to RMB**	31/12/2020	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
Hong Kong dollars ("HKD")	**3,077**	**2,518**	15,048	12,589
USD	**28,272**	**180,229**	54,830	357,829
EUR	**3,835**	**27,683**	2,300	18,459
RMB	**471**	**471**	11,849	11,849

26. TRADE, BILLS AND OTHER PAYABLES

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Trade payables	**3,745,286**	1,706,739
Bills payable	**510,000**	900,000
	4,255,286	2,606,739
Value-added tax payables and other tax payables	**2,049**	13,042
Accrued staff costs and pension	**294,858**	296,655
Payables for purchase of property, plant and equipment	**1,139,554**	697,004
Accrued interest expense	**7,000**	4,109
Accrued expenses	**48,778**	96,406
Others	**29,886**	34,932
	1,522,125	1,142,148
	5,777,411	3,748,887

26. TRADE, BILLS AND OTHER PAYABLES – *CONTINUED*

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

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**1,868,108**	943,324
91 – 180 days	**1,104,223**	295,487
181 – 360 days	**690,845**	365,943
Over 360 days	**82,110**	101,985
	3,745,286	1,706,739
Bills payable		
0 – 90 days	**100,000**	499,768
91 – 180 days	**270,047**	400,232
181 – 360 days	**139,953**	–
	510,000	900,000

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

	31/12/2021	**Equivalent to RMB**	31/12/2020	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
USD	**8,783**	**56,452**	12,808	86,191
RMB	**430,802**	**430,802**	248,611	248,611

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

27. CONTRACT LIABILITIES

The Group may require certain customers to pay deposits in advance and to fully settle the remaining balance before or upon delivery.

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

As at 1 January 2021, contract liabilities amounted to RMB38,480,000 (2020: RMB5,880,000), all of which has been recognised as the Group's revenue during the year ended 31 December 2021.

28. AMOUNT DUE TO A RELATED COMPANY

The amount represents hotel and catering service fee prepayment or payable to Xingda Xiu Yuan, for the provision of accommodation and catering services to the Group. In 2020, the payable amount is unsecured, non-interest bearing and repayable on demand. The relationship of Xingda Xiu Yuan with the Group is set out in note 38.

29. BORROWINGS/BANK OVERDRAFTS

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Bank overdrafts	–	21,000
Bank borrowings	**5,549,478**	3,556,481
	5,549,478	3,577,481
Other loans	–	16,700
	5,549,478	3,594,181
Secured *(note)*	**1,750,613**	1,103,241
Unsecured	**3,798,865**	2,490,940
	5,549,478	3,594,181

The Group's borrowings are repayable as follows:

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Carrying amount repayable (based on scheduled repayment terms)		
Within one year	**4,789,478**	2,924,181
More than one year but not exceeding two years	**310,000**	400,000
More than two years but not exceeding five years	**450,000**	270,000
	5,549,478	3,594,181
Less: Amounts due within one year shown under current liabilities	**(4,789,478)**	(2,924,181)
	760,000	670,000

Note: These borrowings secured by pledged bank deposits, leasehold lands and bills receivable (2020: secured by pledged bank deposits and trade receivables), details of which are set out in notes 25, 17 and 24.

29. BORROWINGS/BANK OVERDRAFTS – *CONTINUED*

As at 31 December 2020, the Group obtained other loans of RMB16,700,000 from a financial institution, which is controlled by a director of the Company. The amount was unsecured, carried interest at fixed rate ranging from 12% to 13% per annum and is repayable in one year. The loans were used as working capital of the Group and was repaid in full in the current year.

The bank borrowings bear interest at market rates.

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Borrowings comprise:		
Fixed-rate borrowings	**5,394,172**	3,435,241
Variable-rate borrowings	**155,306**	158,940
	5,549,478	3,594,181

The variable-rate bank borrowings which carried interest at 2.2% (2020: 2.2%) above 1-month Hong Kong and Interbank Offered Rate.

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

	31/12/2021	31/12/2020
Effective interest rates:		
Fixed-rate borrowings	**0.60% – 4.85%**	2.70% – 4.79%
Variable-rate borrowings	**2.30%**	2.40%

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

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
HKD	**155,306**	158,940
USD	**204,022**	–

30. DEFERRED INCOME

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Non-current liabilities	**226,713**	48,805

During the year ended 31 December 2021, the Group received government grant of RMB185,667,000 (2020: RMB53,109,000) to support the Group's industrial projects. The amount has been accounted for as deferred income and released to income over the useful lives of the relevant assets. As at 31 December 2021, balance of RMB226,713,000 (2020: RMB47,759,000) remains to be amortised.

During the year ended 31 December 2020, the Group also received a special fund to support the development of intellectual property of RMB1,500,000. The amount can only be used specifically for the purpose related to intellectual property. The amount has also been accounted for as deferred income and will be transferred to income at the time when eligible expenditure incurred. The amount released to income during the current year amounted to RMB1,046,000 (2020: RMB454,000). As at 31 December 2021, no balance amount (2020: balance amount of RMB1,046,000) remains to be amortised.

31. LEASE LIABILITIES

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**595**	572
Within a period of more than one year but not more than two years	**181**	595
Within a period of more than two years but not more than five years	**593**	568
Within a period of more than five years	**125**	331
	1,494	2,066
Less: Amount due to settlement with 12 months shown under current liabilities	**(595)**	(572)
Amount due for settlement after 12 months shown under non-current liabilities	**899**	1,494

The weighted average incremental borrowing rates applied to lease liabilities is 4.35% for both years.

32. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Non-current		
Obligations arising from repurchase of shares	**–**	231,533
Current		
Obligations arising from repurchase of shares	**248,962**	–
	248,962	231,533

On 16 December 2020, Jiangsu Xingda, an indirectly non-wholly owned subsidiary of the Company, entered into Capital Increase Agreements with five strategic investors (hereinafter collectively referred to as the "Investors"), namely, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre and Jiaxing Jianxin Chenyue, pursuant to which the Investors subscribed for, in aggregate, 3.35% of the equity interest, representing RMB63,888,885 of enlarged paid-in capital of Jiangsu Xingda, by way of cash contribution at an aggregate consideration of RMB230,000,000.

The Capital Increase Agreements each contains a share repurchase arrangement, pursuant to which Jiangsu Xingda granted redemption right to the Investors, who have the put option to demand Faith Maple to repurchase their shares at an agreed price equivalent to full consideration of the capital injection plus imputed interest at 8% per annum deducting all dividend (including tax) received from Jiangsu Xingda starting from the date of payment of share subscription, if Jiangsu Xingda does not complete the A share initial public offering and become listed on either the Shanghai Stock Exchange or Shenzhen Stock Exchange by 31 December 2022.

The obligation of Faith Maple arising from repurchase of shares was regarded as a financial liability with present value of RMB248,962,000 at 31 December 2021 (2020: RMB231,533,000) and bearing an interest of 8% per annum.

33. SHARE CAPITAL

	Number of shares		Share capital	
	2021	2020	**2021**	2020
	'000	*'000*	***RMB'000***	*RMB'000*
Authorised:				
3 billion ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**301,410**	301,410
Issued and fully paid:				
At beginning of year	**1,606,928**	1,530,813	**158,603**	151,728
Issuance of scrip shares *(note)*	**55,517**	76,115	**4,615**	6,875
At end of year	**1,662,445**	1,606,928	**163,218**	158,603

Note: During the year ended 31 December 2021, the Company issued and allotted 55,517,006 new ordinary shares of HK$0.1 each as scrip alternatives for the final dividend for the year ended 31 December 2020 (2020: issued and allotted 76,114,970 new ordinary shares of HK$0.1 each as scrip alternatives for the final dividend for the year ended 31 December 2019). Details are set out in note 14.

Neither the Company nor any of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2021 and 2020.

34. SHARE-BASED PAYMENT

SHARE-AWARD SCHEME

The Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 4 September 2009 for the primary purpose of providing incentives to the participants of the Scheme (the "Participants") including the directors and certain employees of the Group, to achieve performance goals which in turn achieve the objectives of increasing the value of the Group and align the interests of directors and eligible employees directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the Participants in accordance to the rules of the Scheme.

No shares have been purchased from the open market pursuant to the Scheme during the year ended 31 December 2021 and 2020. 3,333,332 (2020: 3,333,334) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:

34. SHARE-BASED PAYMENT – *CONTINUED*

SHARE-AWARD SCHEME – *continued*

2021

Categories of awardees	Date of grant *(Note i)*	Fair value per share HK$ *(Note ii)*	Number of awarded shares: Outstanding at 1 January 2021	Vested during the year	Granted during the year	Outstanding at 31 December 2021	Vesting period
Directors of the Company	25 August 2016	2.150	2,066,666	(2,066,666)	–	–	25 August 2016 to 31 March 2021
Employees	25 August 2016	1.303	1,266,666	(1,266,666)	–	–	25 August 2016 to 31 March 2021
Directors of the Company	22 August 2019	1.487	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2022
Directors of the Company	22 August 2019	1.365	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2023
Directors of the Company	22 August 2019	1.253	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2024
Employees	22 August 2019	1.532	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2022
Employees	22 August 2019	1.474	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2023
Employees	22 August 2019	1.443	1,283,334	–	–	1,283,334	22 August 2019 to 31 March 2024
Directors of the Company	30 November 2021	1.147	–	–	3,250,000	3,250,000	30 November 2021 to 31 March 2025
Directors of the Company	30 November 2021	1.065	–	–	3,250,000	3,250,000	30 November 2021 to 31 March 2026
Directors of the Company	30 November 2021	1.000	–	–	3,250,000	3,250,000	30 November 2021 to 31 March 2027
Employees	30 November 2021	1.189	–	–	1,750,000	1,750,000	30 November 2021 to 31 March 2025
Employees	30 November 2021	1.163	–	–	1,750,000	1,750,000	30 November 2021 to 31 March 2026
Employees	30 November 2021	1.153	–	–	1,750,000	1,750,000	30 November 2021 to 31 March 2027
			13,333,332	(3,333,332)	15,000,000	25,000,000	

34. SHARE-BASED PAYMENT – *CONTINUED*

SHARE-AWARD SCHEME – *continued*

2020

			Number of awarded shares				
Categories of awardees	Date of grant *(Note i)*	Fair value per share HK$ *(Note ii)*	Outstanding at 1 January 2020	Vested during the year	Granted during the year	Outstanding at 31 December 2020	Vesting period
Directors of the Company	25 August 2016	2.150	2,066,667	(2,066,667)	–	–	25 August 2016 to 31 March 2020
Directors of the Company	25 August 2016	2.150	2,066,666	–	–	2,066,666	25 August 2016 to 31 March 2021
Employees	25 August 2016	1.415	1,266,667	(1,266,667)	–	–	25 August 2016 to 31 March 2020
Employees	25 August 2016	1.303	1,266,666	–	–	1,266,666	25 August 2016 to 31 March 2021
Directors of the Company	22 August 2019	1.487	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2022
Directors of the Company	22 August 2019	1.365	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2023
Directors of the Company	22 August 2019	1.253	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2024
Employees	22 August 2019	1.532	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2022
Employees	22 August 2019	1.474	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2023
Employees	22 August 2019	1.443	1,283,334	–	–	1,283,334	22 August 2019 to 31 March 2024
			16,666,666	(3,333,334)	–	13,333,332	

34. SHARE-BASED PAYMENT – *CONTINUED*

SHARE-AWARD SCHEME – *continued*

Notes:

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

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

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

The awarded shares granted in 2019 would be vested in tranches of approximately 3,333,333 shares annually over a period of three years from 2022 to 2024.

The awarded shares granted in 2021 would be vested in tranches of approximately 5,000,000 shares annually over a period of three years from 2025 to 2027.

The Group recognised the total expenses of approximately RMB4,632,000 for the year ended 31 December 2021 (2020: RMB6,219,000) in relation to shares granted under the Scheme by the Company.

The Binomial model has been used to estimate the fair value of the share-award granted. The variable and assumptions used in computing the fair value of the share-award are based on the directors' best estimate. The value of share-award varies with different variables of certain subjective assumptions.

34. SHARE-BASED PAYMENT – *CONTINUED*

SHARE-BASED PAYMENT OF JIANGSU XINGDA

In the second half of 2020, the management of Jiangsu Xingda came to know that 江蘇興宏達實業有限公司 (Jiangsu Xinghongda Investment Co., Ltd.*)("Jiangsu Xinghongda"), an existing shareholder of Jiangsu Xingda would like to sell part of its equity interests in Jiangsu Xingda. The management of Jiangsu Xingda informed certain of its employees at managerial grades and a supplier of the relevant investment opportunity to acquire such equity interests in Jiangsu Xingda. In light of the indication of interests expressed, various parties (including certain directors, employees and a supplier of Jiangsu Xingda as well as certain family members and associates of the Company's shareholders ("Family Members") (collectively "Participants"), have set up and subscribe equity interests in three limited liability partnerships ("LLPs") during August and September 2020 for the purpose of purchasing a total of 150,000,000 shares in Jiangsu Xingda (the "Relevant Jiangsu Xingda Shares") at approximately RMB1.67 each from Jiangsu Xinghongda for a total consideration of RMB250,000,000. The total capital of the LLPs, which is equivalent to the total consideration of RMB250,000,000 for purchasing the Relevant Jiangsu Xingda Shares at approximately of RMB1.67 each has been fully paid-up by the Participants in accordance with their respective investment percentage under the LLPs.

On 16 December 2020, the Investors (as defined in note 32) agreed to subscribe 3.35% of the shares of Jiangsu Xingda at RMB3.60 each. Please refer to the announcement of the Company dated 16 December 2020 for details. Given that the Participants include directors, employees and a supplier of Jiangsu Xingda, the Group recognised share-based payment expenses regarding the deemed benefits provided to its employees and business partner in the aforesaid transaction. 101,840,880 shares out of the Relevant Jiangsu Xingda Shares were deemed to be granted to the directors, employees and a supplier of Jiangsu Xingda ("Jiangsu Xingda Related Participants") and accounted for as share-based payment for share awards under and in accordance with IFRS 2. 48,159,120 shares out of the Relevant Jiangsu Xingda Shares were attributable to the investments made by the Family Members in the LLPs. No vesting condition is attached to these shares. These shares bear the same right as all other existing shareholders of Jiangsu Xingda in all respects. The fair value of the Relevant Jiangsu Xingda Shares under the above share-based payment transaction at the date of grant is determined by the management using market approach with adjustments of, among others, dividend declared by Jiangsu Xingda in November 2020. Details of the Relevant Jiangsu Xingda Shares deemed to be granted to the Jiangsu Xingda Related Participants are as follows:

	Number of Jiangsu Xingda Shares deemed to be awarded *'000*	**Share-based payment expenses** *RMB'000*
Employees		
Directors:		
– LIU Jinlan	6,600	17,512
– LIU Xiang	12,590	33,407
– TAO Jinxiang	6,600	17,512
– ZHANG Yuxiao	2,402	6,374
Other employees	67,649	180,125
	95,841	254,930
Supplier	6,000	15,918
	101,841	270,848

34. SHARE-BASED PAYMENT – *CONTINUED*

SHARE-BASED PAYMENT OF JIANGSU XINGDA – *continued*

In respect of the Relevant Jiangsu Xingda Shares deemed to be granted to the supplier, the directors are of the opinion that the fair value of the goods or services received by the Group cannot be reliably determined as those shares are granted for the purpose to promote and maintain the long-term business relationship with the supplier.

Total expenses of approximately RMB270,848,000, representing RMB141,095,000, RMB54,518,000 and RMB75,235,000 were recognised in administrative expenses, distribution and selling expenses and cost of sales respectively, for the year ended 31 December 2020, in relation to shares deemed to be granted to Jiangsu Xingda Related Participants.

* For identification only

35. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was RMB4,901,000 (2020: RMB4,992,000). The properties are expected to generate rental yields of 4.03% (2020: 4.10%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 31 December 2021, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Within one year	**4,766**	6,159
In the second year	**2,435**	4,524
In the third year	**177**	2,193
In the fourth year	**–**	157
	7,378	13,033

36. CAPITAL COMMITMENTS

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**360,009**	594,780

37. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group's full-time employees are covered by a government-sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 16.0% (2020: 20.0%) of the employees' salaries subject to the minimum requirement of the local government, which are charged to operations as expenses when the contributions are due.

The Group's contribution to the retirement benefit scheme that is charged to profit or loss is approximately RMB83,394,000 (2020: RMB51,734,000) for the year ended 31 December 2021.

38. RELATED PARTY TRANSACTIONS

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

Name of related party	**Nature of transaction**	**Year ended 31/12/2021** ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Xingda Xiu Yuan *(note a)*	Services fee for hotel and catering services	**13,605**	6,644
	Provision of utilities	**550**	616
Xinghua Xingda Rural Small Loan Co., Ltd. *(note b)*	Interest expenses for borrowings	**26**	975

38. RELATED PARTY TRANSACTIONS – *CONTINUED*

Notes:

(a) Xingda Xiu Yuan is a limited company controlled by a director of the Company.

(b) Xinghua Xingda Rural Small Loan Co., Ltd. is a limited company which is a non-wholly owned subsidiary of Xingda Xiu Yuan.

Details of the balances with related parties are set out in notes 24 and 28.

Compensation of key management personnel

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

	Year ended 31/12/2021	Year ended 31/12/2020
	RMB'000	*RMB'000*
Short-term benefits	**35,707**	38,944
Post-employment benefits	**97**	214
Share-based payments	**3,900**	128,276
	39,704	167,434

The remuneration of directors and key management is determined by the Remuneration and Management Development Committee having regard to the performance of individuals and market trends.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

As at 31 December 2021

	Bank borrowings *RMB'000*	Other loans *RMB'000*	Accrued interest expenses *RMB'000*	Dividend payable *RMB'000*	Lease liabilities *RMB'000*	Obligations arising from repurchase of shares *RMB'000*	Total *RMB'000*
As at 1 January 2021	3,556,481	16,700	4,109	328,976	2,066	231,533	4,139,865
Financing cash flows	2,039,784	(15,000)	(144,775)	(260,868)	(651)	–	1,618,490
Settlement by discounted bills	(39,780)	(1,700)	–	–	–	–	(41,480)
Dividend declared	–	–	–	195,269	–	–	195,269
Interest expenses	–	–	145,929	–	79	17,429	163,437
Interest capitalised	–	–	1,737	–	–	–	1,737
Exchange difference	(7,007)	–	–	–	–	–	(7,007)
As at 31 December 2021	5,549,478	–	7,000	263,377	1,494	248,962	6,070,311

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – *CONTINUED*

As at 31 December 2020

	Bank borrowings	Other loans	Accrued interest expenses	Dividend payable	Lease liabilities	Obligations arising from repurchase	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	2,045,941	127,000	2,930	–	1,799	–	2,177,670
Financing cash flows	1,510,540	(103,940)	(99,946)	(170,323)	(1,065)	230,000	1,365,266
Additions to lease liabilities	–	–	–	–	1,181	–	1,181
Settlement by discounted bills	–	(6,360)	–	–	–	–	(6,360)
Dividend declared	–	–	–	499,299	–	–	499,299
Interest expenses	–	–	79,277	–	151	1,533	80,961
Interest capitalised	–	–	21,848	–	–	–	21,848
As at 31 December 2020	3,556,481	16,700	4,109	328,976	2,066	231,533	4,139,865

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost	**11,097,765**	9,429,321
Financial assets at FVTPL	**149,516**	84,384
Financial liabilities		
Amortised cost	**11,486,543**	7,496,780

40. FINANCIAL INSTRUMENTS – *CONTINUED*

b. Financial risk management objectives and policies

The Group's major financial instruments include term deposits, bank balances and cash, trade, bills and other receivables, financial assets at FVTPL, trade, bills and other payables, dividend payable to non-controlling interests, borrowings and obligations arising from repurchase of shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 27.5% (2020: 22.5%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst 0.3% (2020: 0.7%) of costs is denominated in currencies other than the functional currency of the group entity.

Certain trade, bills and other receivables, bank balances, trade and other payables, and borrowings of the Group are denominated in USD, HKD, EUR, and RMB. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency sensitivity

The following details the Group's sensitivity to a 3% (2020: 3%) increase and decrease in RMB against USD, HKD and EUR and THB against RMB. 3% (2020: 3%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year ended for a 3% (2020: 3%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where RMB strengthen 3% (2020: 3%) against USD, HKD and EUR and THB against RMB, and vice versa.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Market risk – continued

(i) Currency risk – *continued*

Foreign currency sensitivity – *continued*

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
RMB against USD	**(14,986)**	(13,983)
RMB against HKD	**3,749**	3,673
RMB against EUR	**(3,595)**	(2,876)
THB against RMB	**12,871**	7,103

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to term deposits (see note 25 for details), fixed-rate borrowings (see note 29 for details)), lease liabilities (see note 31 for details) and obligations arising from repurchase of shares (see note 32 for details). The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's Hong Kong dollar denominated borrowings.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Market risk – continued

(ii) Interest rate risk – *continued*

Interest rate sensitivity

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

A 50 basis points (2020: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by approximately RMB777,000 (2020: decrease/increase by approximately RMB795,000).

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

(iii) Other price risk

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

Sensitivity analysis

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

If the price of the respective financial assets at FVTPL has been 5% (2020: 5%) higher/lower, profit for the year ended 31 December 2021 would increase/decrease by RMB6,889,000 (2020: RMB4,219,000) as a result of the changes in fair value of financial assets at FVTPL.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of the Group's price risk as it only reflects the impact of price changes to financial assets at FVTPL held at the end of each reporting period but not the exposure during the year ended 31 December 2021.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment

As at 31 December 2021 and 2020, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually for credit-impaired balances or on a collective basis. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 78.4% (31 December 2020: 83.0%) of the total trade receivables as at 31 December 2021. The Group has concentration of credit risk as 5.6% (2020: 8.3%) and 20.6% (2020: 26.9%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment - continued

Bills receivable arising from contracts with customers

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

Other receivables

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

Term deposits and bank balances

The Group performs impairment assessment under ECL model upon application of IFRS 9 on term deposits and bank balances based on 12m ECL.

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

The Group's internal credit risk grading assessment comprises the following categories:

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

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – continued

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

2021	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount
					RMB'000
Financial assets at amortised costs					
Trade receivables	*24*	N/A	(note)	Lifetime ECL (not credit-impaired)	3,075,411
			Loss	Lifetime ECL (credit-impaired)	24,173
					3,099,584
Bills receivable	*24*	Baa1 – Aa3	Low risk	12-month ECL	4,579,259
			Loss	Lifetime ECL (credit-impaired)	1,950
Other receivables	*24*	N/A	Low risk	12-month ECL	30,763
Bank balances	*25*	Baa2 – Aa3	Low risk	12-month ECL	711,543
Term deposits	*25*	Baa2 – Aa3	Low risk	12-month ECL	2,734,169
					11,157,268

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – continued

2020	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount
					RMB'000
Financial assets at amortised costs					
Trade receivables	*24*	N/A	*(note)*	Lifetime ECL (not credit-impaired)	2,379,883
			Loss	Lifetime ECL (credit-impaired)	74,668
					2,454,551
Bills receivable	*24*	Baa1 – Aa3	Low risk	12-month ECL	3,605,122
Other receivables	*24*	N/A	Low risk	12-month ECL	28,962
Bank balances	*25*	Baa2 – Aa3	Low risk	12-month ECL	911,140
Term deposits	*25*	Baa2 – Aa3	Low risk	12-month ECL	2,530,953
					9,530,728

Note: For trade receivables for sales of radial tire cords, bead wires and other wires, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the expected credit losses on these items by using collective basis, grouped by the key market of the customers.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers in relation to its sales of radial tire cords, bead wires and other wires because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on a collective basis as at 31 December 2021 within lifetime ECL (not credit-impaired). Credit-impaired debtors with gross carrying amount of RMB24,173,000 (2020: RMB74,668,000) as at 31 December 2021 were assessed individually.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – continued

At 31 December 2021

	Weighted-average expected credit loss rate	**Total gross carrying amount** *RMB'000*	**Lifetime ECL** *RMB'000*
Customers of auto-related industry	**0.952%**	**2,804,387**	**26,685**
Customers in chemicals, plastics and rubber industries	**0.691%**	**248,628**	**1,719**
Others	**2.393%**	**22,396**	**536**
Total		**3,075,411**	**28,940**

At 31 December 2020

	Weighted-average expected credit loss rate	Total gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*
Customers of auto-related industry	0.860%	2,167,028	18,643
Customers in chemicals, plastics and rubber industries	0.678%	189,070	1,282
Others	1.798%	23,785	427
Total		2,379,883	20,352

During the year ended 31 December 2021, the Group recognised a provision of impairment allowance, net of reversal, of RMB8,612,000 (2020: a reversal of impairment allowance of RMB5,879,000) for trade receivables, based on the collective basis. Impairment allowances of RMB1,105,000 (2020: RMB3,422,000) were reversed on credit-impaired debtors.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – continued

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

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2020	27,023	108,745	135,768
Impairment loss recognised	8,799	–	8,799
Impairment loss reversed	(14,678)	(3,422)	(18,100)
Transfer	(792)	792	–
Amount written-off *(note)*	–	(31,447)	(31,447)
As at 31 December 2020	20,352	74,668	95,020
Impairment loss recognised	28,682	–	28,682
Impairment loss reversed	(20,070)	(1,105)	(21,175)
Transfer	(24)	24	–
Amount written-off *(note)*	–	(49,414)	(49,414)
As at 31 December 2021	**28,940**	**24,173**	**53,113**

Note: During the year ended 31 December 2021, the Group writes off trade receivables of gross carrying amount of RMB49,414,000 (2020: RMB31,447,000) for the debtors in severe financial difficulty and when there was no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

During the year ended 31 December 2021, no impairment loss was recorded for bills receivable or other receivable (2020: impairment loss of RMB1,950,000 was recorded for bills receivable).

Liquidity risk

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

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Liquidity risks – continued

Liquidity risk tables

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

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

At 31 December 2021

	Weighted average interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade, bills and other payables	–	5,424,726	–	–	–	5,424,726	5,424,726
Dividend payable to non-controlling interests	–	263,377	–	–	–	263,377	263,377
Borrowings–							
– variable rate	2.30	155,609	–	–	–	155,609	155,306
– fixed rate	3.42	4,701,485	320,156	527,083	–	5,548,724	5,394,172
Lease liabilities	4.35	648	217	650	127	1,642	1,494
Obligations arising from repurchase of shares	7.28	267,567	–	–	–	267,567	248,962
		10,813,412	320,373	527,733	127	11,661,645	11,488,037

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Liquidity risks – continued

Liquidity risk tables – *continued*

At 31 December 2020

	Weighted average interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade, bills and other payables	–	3,338,675	–	–	–	3,338,675	3,338,675
Dividend payable to non-controlling interests	–	328,976	–	–	–	328,976	328,976
Amount due to a related company	–	3,415	–	–	–	3,415	3,415
Bank overdrafts	–	21,000	–	–	–	21,000	21,000
Borrowings–							
– variable rate	3.38	161,626	–	–	–	161,626	158,940
– fixed rate	3.50	2,794,733	428,000	293,625	–	3,516,358	3,414,241
Lease liabilities	4.35	651	648	650	343	2,292	2,066
Obligations arising from repurchase of shares	7.70	–	268,333	–	–	268,333	231,533
		6,649,076	696,981	294,275	343	7,640,675	7,498,846

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

40. FINANCIAL INSTRUMENTS – *CONTINUED*

c. Fair value

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

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

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

Financial assets

	Fair value as at				
	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Financial assets at FVTPL *(note 23)*	**149,516**	84,384	Level 1	Quoted price in active market.	N/A

Note: There were no transfers between level 1 and level 2 during the year ended 31 December 2021 and 2020.

41. MAJOR NON-CASH TRANSACTIONS

During the year, short-term borrowings drawn on discounted bills with recourse of RMB41,480,000 (2020: RMB6,360,000) have been settled by discounted bills upon maturity.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 are disclosed as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid up share capital/registered capital		Attributable to equity interest held by the Group		Principal activities
		2021	2020	**2021**	2020	
Directly held by the Company						
Faith Maple *(note c)*	The British Virgin Islands	**USD14,083**	USD14,083	**100%**	100%	Investment holding
Indirectly held by the Company						
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司 *(notes a)*	PRC	**RMB2,862,262,865**	RMB1,908,175,265	**70.32%**	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires
Shandong Xingda 山東興達鋼簾線有限公司 *(note b)*	PRC	**RMB579,686,886**	RMB579,686,886	**70.32%**	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires
Shanghai Xingda 上海興達鋼簾線有限公司 *(notes b)*	PRC	**RMB2,000,000**	RMB2,000,000	**70.32%**	70.32%	Trading of radial tire cords and bead wires
Xingda International (Shanghai) 興達國際(上海)特種簾線有限公司 *(note c)*	PRC	**USD12,000,000**	USD12,000,000	**100%**	100%	Trading of radial tire cords and bead wires and commercial property investments
Taizhou Xingda 泰州興達特種鋼絲繩有限公司 *(note b)*	PRC	**RMB683,704,195**	RMB683,704,195	**100%**	100%	Production and supply of heating power, manufacturing and distribution of radial tire cords and bead wires
Xingda Steel Cord (Thailand) Company Limited *(note b)*	Thailand	**THB4,514,144,700**	THB4,396,463,200	**70.32%**	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires

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

(i) – Continued

Notes:

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

(a) sino-foreign equity joint venture

(b) domestic invested company

(c) wholly foreign owned enterprise

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

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司	PRC	**29.68%**	29.68%	**83,054**	50,690	**2,140,788**	2,151,431
Shandong Xingda 山東興達鋼簾線有限公司	PRC	**29.68%**	29.68%	**25,242**	23,516	**N/A**	N/A
Effect of put option of shares of a subsidiary granted to non-controlling interests *(note 32)*	N/A	**N/A**	N/A	**N/A**	N/A	**(230,000)**	(230,000)

Note: During the year ended 31 December 2020, Shandong Xingda became a wholly-owned subsidiary of Jiangsu Xingda following the completion of the transaction as explained in note (a) of the Group's Statement of Changes in Equity.

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

	Consolidated financial information of Jiangsu Xingda	
	2021	2020
	RMB'000	*RMB'000*
Current assets	**11,586,851**	7,852,495
Non-current assets	**6,789,218**	7,084,928
Current liabilities	**(10,141,639)**	(6,942,120)
Non-current liabilities	**(1,021,532)**	(746,520)
Equity attributable to owners of the Company	**(5,302,110)**	(5,327,352)
Non-controlling interests	**(2,140,788)**	(2,151,431)
Effect of put option of shares of a subsidiary granted to non-controlling interests *(note 32)*	**230,000**	230,000

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

(iii) Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below, representing stand-alone financial information of Jiangsu Xingda and Shandong Xingda. The summarised financial information below represents amounts before intragroup eliminations.

	Shandong Xingda		**Jiangsu Xingda**	
	Year ended 2021	Year ended 2020	**Year ended 2021**	Year ended 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**1,203,783**	837,539	**8,359,837**	6,815,212
Cost of Sales	**(1,021,667)**	(765,427)	**(6,664,084)**	(6,492,109)
Profit and total comprehensive income for the year	**85,047**	72,112	**279,832**	323,103
Profit and total comprehensive income attributable to owners of the Company	**59,805**	48,596	**196,778**	272,413
Profit and total comprehensive income attributable to the non-controlling interests	**25,242**	23,516	**83,054**	50,690
Profit and total comprehensive income for the year	**85,047**	72,112	**279,832**	323,103
Dividend declared and paid to non-controlling interests	**–**	14,945	**73,625**	50,251
Net cash inflow (outflow) from operating activities	**451,806**	80,053	**20,317**	(68,467)
Net cash (outflow) inflow from investing activities	**(441,549)**	(108,927)	**(1,036,758)**	17,075
Net cash (outflow) inflow from financing activities	**(6,857)**	17,797	**833,051**	424,510
Net cash inflow (outflow)	**3,400**	(11,077)	**(183,390)**	373,118

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**558,476**	558,476
Amount due from a subsidiary	**668,633**	645,702
	1,227,109	1,204,178
CURRENT ASSETS		
Financial assets at fair value through profit or loss	**71,286**	84,384
Other receivables	**64**	145
Bank balances and cash	**2,680**	12,506
	74,030	97,035
CURRENT LIABILITIES		
Other payables	**6,717**	5,829
Bank borrowings	**155,306**	158,940
	162,023	164,769
NET CURRENT LIABILITIES	**(87,993)**	(67,734)
NET ASSETS	**1,139,116**	1,136,444
CAPITAL AND RESERVES		
Share capital	**163,218**	158,603
Reserves	**975,898**	977,841
TOTAL EQUITY	**1,139,116**	1,136,444

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

Movement in share capital and reserves

	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Retained profits	Translation reserve	Shares held under share-award scheme	Share-based payment reserve	Total
	RMB'000	*RMB'000*	*RMB'000* *(note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	151,728	–	266,960	9,700	739,674	9,472	(12,437)	4,291	1,169,388
Profit for the year	–	–	–	–	75,436	–	–	–	75,436
Other comprehensive expense for the year	–	–	–	–	–	(9,472)	–	–	(9,472)
Total comprehensive income (expense) for the year	–	–	–	–	75,436	(9,472)	–	–	65,964
Issuance of scrip shares	6,875	92,821	–	–	–	–	–	–	99,696
Dividend recognised as distribution *(note 14)*	–	(92,821)	–	–	(112,002)	–	–	–	(204,823)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	6,219	6,219
Shares vested under the share-award scheme	–	–	–	–	(2,351)	–	8,897	(6,546)	–
At 31 December 2020	158,603	–	266,960	9,700	700,757	–	(3,540)	3,964	1,136,444
Profit and total comprehensive income for the year	–	–	–	–	119,684	–	–	–	119,684
Issuance of scrip shares	4,615	76,602	–	–	–	–	–	–	81,217
Dividend recognised as distribution *(note 14)*	–	(76,602)	–	–	(126,259)	–	–	–	(202,861)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	4,632	4,632
Shares vested under the share-award scheme	–	–	–	–	5,976	–	–	(5,976)	–
At 31 December 2021	**163,218**	**-**	**266,960**	**9,700**	**700,158**	**-**	**(3,540)**	**2,620**	**1,139,116**

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

5 YEARS FINANCIAL SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	6,886,914	7,558,367	7,581,625	7,679,907	**10,645,310**
Cost of sales	(5,609,213)	(6,235,889)	(6,117,657)	(6,151,399)	**(8,580,412)**
Gross profit	1,277,701	1,322,478	1,463,968	1,528,508	**2,064,898**
Other income	97,550	136,708	126,422	159,225	**189,785**
Government grants	29,638	13,798	13,731	18,400	**20,567**
Distribution and selling expenses	(475,918)	(512,584)	(544,248)	(564,742)	**(999,339)**
Administrative expenses	(319,117)	(361,892)	(382,226)	(563,280)	**(463,447)**
Other gains and losses, net	(17,116)	19,425	31,285	(51,576)	**(83,718)**
Impairment losses under expected credit loss model, net of reversal	(14,746)	(15,112)	(25,343)	7,351	**(7,507)**
Research and development expenditure	(58,425)	(75,250)	(107,097)	(108,485)	**(138,801)**
Finance costs	(38,094)	(44,974)	(40,709)	(80,961)	**(163,437)**
Profit before tax	481,473	482,597	535,783	344,440	**419,001**
Income tax expense	(103,189)	(110,742)	(129,258)	(168,992)	**(112,036)**
Profit for the year	378,284	371,855	406,525	175,448	**306,965**
Profit attributable to:					
Owners of the Company	287,363	263,663	285,798	114,996	**218,855**
Non-controlling interests	90,921	108,192	120,727	60,452	**88,110**
	378,284	371,855	406,525	175,448	**306,965**

	As at 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES					
Total assets	12,361,802	12,689,683	13,699,309	15,694,797	**19,802,209**
Total liabilities	(4,928,969)	(5,269,377)	(6,024,280)	(8,115,755)	**(12,191,571)**
	7,432,833	7,420,306	7,675,029	7,579,042	**7,610,638**
Equity attributable to owners of the Company	5,367,327	5,359,480	5,566,657	5,657,611	**5,699,850**
Non-controlling interests	2,065,506	2,060,826	2,108,372	1,921,431	**1,910,788**
	7,432,833	7,420,306	7,675,029	7,579,042	**7,610,638**