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)

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

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

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

INVESTOR RELATIONS

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

REGISTERED OFFICE

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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
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	2020 ***RMB in million***	2019 *RMB in million* (Restated)	Change
OPERATING RESULTS			
Revenue	**7,679.9**	7,581.6	+1.3%
Gross profit	**1,528.5**	1,464.0	+4.4%
EBITDA[(1)]	**980.5**	1,101.8	-11.0%
Profit for the year	**175.4**	406.5	-56.9%
Profit attributable to owners of the Company	**115.0**	285.8	-59.8%
Earnings per share – basic (RMB cents)	**7.39**	18.89	-60.9%
Earnings per share – diluted (RMB cents)	**7.35**	18.79	-60.9%

	2020 ***RMB in million***	2019 *RMB in million* (Restated)	Change
FINANCIAL POSITION			
Total assets	**15,694.8**	13,699.3	+14.6%
Total liabilities	**8,115.8**	6,024.3	+34.7%
Net assets	**7,579.0**	7,675.0	-1.3%
Equity attributable to owners of the Company	**5,657.6**	5,566.7	+1.6%

	2020	2019 (Restated)
KEY RATIOS		
Gross profit margin[(2)]	**19.9%**	19.3%
EBITDA margin[(3)]	**12.8%**	14.5%
Return on equity[(4)]	**2.0%**	5.1%
Current ratio[(5)]	**1.11**	1.18
Gearing ratio[(6)]	**22.9%**	15.9%
Net debts to equity ratio[(7)]	**47.4%**	30.1%

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 2020.

The Group's results in the first quarter of 2020 were inevitably affected by the COVID-19 outbreak which has battered global economy. Nevertheless, market demand for radial tire cords rebounded in China in the second quarter of 2020 and helped drive the Group's stable results during the year under review. In 2020, the Group's revenue increased modestly by 1.3% to RMB7,680 million when compared with the preceding year. Gross profit increased by 4.4% year-on-year to RMB1,529 million, gross profit margin also rose by 0.6 percentage point to 19.9%, which was mainly attributable to the rise in sales volume under the strong market from the second quarter of 2020 onwards. Profit attributable to owners of the Company amounted to RMB115 million, representing a decrease of 59.8% year-on-year. Basic earnings per share were RMB7.39 cents. The Board recommended the payment of a final dividend of 15.0 HK cents per share (2019: 15.0 HK cents per share) for the year ended 31 December 2020.

The COVID-19 outbreak started in early 2020 forced cities around the world to close borders and limit import and export, hence hit hard on global economy and caused recession in major economies to various extents in the first quarter. Despite this, the Chinese government implemented effective measures to fight the virus and supported the prompt resumption of work and production in major cities, which enabled it to basically control the pandemic in the second quarter and drive fast economic recovery. At the same time, China promoted the "domestic circulation" economic strategy which stresses the importance of infrastructure to industries relying on domestic demand. The strategy helped stimulate domestic demand as well as boost the flourishing growth of the infrastructure and logistics industries. External demand and real estate investment industry chain were relatively healthy amid the pandemic, thus encouraged industrial enterprises to actively replenish inventory and expand production scale accordingly in the fourth quarter. All these factors supported the robust recovery in demand for radial tire cords in the second half of 2020. Xingda's leading position in China's radial tire cord industry also enabled it to seize the opportunities and navigate through the turbulence in the challenging operating environment in 2020.

The overseas market was temporary affected from March to June 2020 under the pandemic, but the supply chain in the market had basically returned to normal afterwards. Sales volume of overseas market for radial tire cords thus dropped by 11.4% on year on year basis. The Group has devised global layout in recent years with its visionary insight and the factory in Thailand has also commenced production during the year. The Group will make flexible adjustments in its overseas production capacity based on global market conditions, aiming to cope with the dramatic changes in global geopolitical situation and minimize risks.

On 21 August 2020, the Group proposed the spin-off and separate listing of the tire-related business operated by its non-wholly owned subsidiary Jiangsu Xingda Steel Tyre Cord Co. Ltd., ("Jiangsu Xingda") by way of A shares listing on a stock exchange in China. The proposal has been submitted to Hong Kong Stock Exchange on 20 November 2020. The Group is undergoing a group re-organisation to effect a suitable shareholding structure for the proposed spin-off, which is subject to, among others, the approvals from relevant regulatory authorities in Hong Kong (including the Stock Exchange) and in China, and the proposed spin-off may or may not proceed. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

During the year under review, the management and I bought approximately 26,589,000 shares of the Company on Stock Exchange, to show our confidence in the Group's future.

On 29 June 2020, the Group announced the scrip dividend scheme ("Scheme") under which shareholders of the Company may choose to receive an allotment of new shares of HK$0.1 each in the capital of the Company in lieu of cash only for the 2019 final dividend 15.0 HK cents per share. The issue price of the scrip shares is HK$1.45 per scrip share. According to this Scheme, controlling shareholders of the Company chose to receive 2019 final divided partly in scrip shares and partly in cash, and received 31,405,158 scrip shares of the Company in total. Their choice of scrip shares represents a vote of confidence in the promising outlook of the Company.

Looking ahead, pandemic is expected to cloud the world continuously, but the outstanding containment of the disease in the PRC has brought companies and consumers back on right track. Benefited from its favourable internal circulation policy, domestic companies become more self-sufficient, and more competitive in the long-term. In overseas, rising vaccination and stimulus fiscal policies announced by the US and 27 EU countries will help global economy to revive.

The Group will monitor the pandemic and global economic development trend closely and stand up to challenges prudently. Xingda will strive to seize the opportunities in radial tire cord industry brought by the policy support given to stabilise economy. The Group will also map out its business flexibly and strengthen cooperation in the radial tire industry, in order to create opportunities, bring long-term investment return to our shareholders and reflect our core values.

On behalf of the Board, I would like to take this opportunity to thank shareholders, the management and all staff members for their contributions to the Group. Xingda will face the pandemic bravely and impose various strict precautionary measures to maintain normal operation of the Group and protect the health of our staff.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to 2020 data issued by China Rubber Industry Association, China's radial tire output was affected by the temporary suspension of tire production in the first quarter and therefore decreased by 2.9% to approximately 634 million units, of which approximately 596 million units were radial tires, representing a year-on-year decrease of 3.3%, and tire radialization was 94.0% (2019: approximately 94.5%). Radial tire output for passenger cars decreased by 5.5% year-on-year to approximately 458 million units while radial tire output for trucks increased by 4.6% year-on-year to approximately 138 million units.

In 2020, the PRC economy recorded 2.3% GDP growth, which was one of the few countries with positive growth rate in the world. Statistics compiled by China Rubber Industry Association showed that the car parc in China increased by 8.1% to RMB281 million, ranking first in the world along with the US. With car parc continuing to expand in China and the Chinese economy starting to recover in the second quarter of 2020, provided strong support to the Chinese tire replacement market.

BUSINESS REVIEW

During the year under review, benefit from the prompt and effective measures against the pandemic and the favorable policies such as inner circulation strategy implemented by the Chinese government, the Chinese economy started to rebound in the second quarter of 2020, resulting in significant growth of domestic market demand for radial tire cords in the second half year. In 2020, the Group recorded total sales volume of 882,200 tonnes, an increase of 7.9% year-on-year. Sales volume of radial tire cords rose by 4.5% year-on-year to 707,000 tonnes, making up 80.1% of the Group's total sales volume (2019: 82.7%). Sales volume of bead wires and other wires also increased by 23.9% to 175,200 tonnes, accounting for 19.9% of the Group's total sales volume (2019: 17.3%).

In terms of market segments, the sales volume of radial tire cords for trucks rose by 2.5% to 436,800 tonnes against that of last year. This was mainly due to the strong demand for radial tire cords for trucks in China starting from the second quarter of 2020. Sales volume of radial tire cords for passenger cars increased by 8.0% year-on-year to 270,200 tonnes, mainly due to the rebound of domestic market demand from the second quarter of 2020.

BUSINESS REVIEW – *CONTINUED*

Sales Volume

	2020	2019	Change
	Tonnes	*Tonnes*	
		(Restated)	
Radial tire cords	**707,000**	676,300	+4.5%
– *For trucks*	***436,800***	*426,100*	*+2.5%*
– *For passenger cars*	***270,200***	*250,200*	*+8.0%*
Bead wires and other wires	**175,200**	141,400	+23.9%
Total	**882,200**	817,700	+7.9%

During the year under review, sales volume of the Group's radial tire cords in China increased by 10.1% to 553,100 tonnes (2019: 502,500 tonnes). This was mainly due to fast recovery of the market and fast resumption of production in China after the first quarter, which led to an increase in tires manufactured in China amid adversity, leading to booming demand of radial tire cords locally. On the other hand, the production levels of certain overseas tire manufacturers were dropped in different extent from March to June 2020 which led to sales of Xingda's radial tire cords in overseas markets decreased by 11.4% year-on-year to 153,900 tonnes (2019: 173,800 tonnes). Sales volume in domestic and overseas markets constituted 78.2% and 21.8%, respectively, of the Group's total sales volume of radial tire cords (2019: 74.3% and 25.7%).

As at 31 December 2020, the Group's annual production capacity of radial tire cords increased to 798,000 tonnes, with the Jiangsu and Shandong factories accounting for up to 645,000 tonnes and 111,000 tonnes respectively. Xingda's plant in Thailand has commenced production in 2020. The annual production capacity of radial tire cords reached 42,000 tonnes by the end of 2020, and the annual production capacity was flexibly allocated to cope with the demand of overseas markets during the second phase. The annual production capacity of bead wires and other wires also rose to 194,600 tonnes. The overall capacity utilization rate of the Group's plants in 2020 was 87.6% (2019: 91.4%).

BUSINESS REVIEW – *CONTINUED*

Sales Volume – *Continued*

	2020 Production Capacity *(Tonnes)*	**2020 Utilization Rate**	2019 Production Capacity *(Tonnes)*	2019 Utilization Rate
Radial tire cords	**798,000**	**87.2%**	730,500	93.2%
Bead wires and other wires	**194,600**	**89.4%**	170,000	83.7%
Overall	**992,600**	**87.6%**	900,500	91.4%

While constantly expanding production capacity and business presence, the Group has attached high importance to the reforms of product technology. To meet the customers' needs in different segments, the Group has devoted resources to research and development of the products and offered customized radial tire cords to customers. The Group provided a wide range of products, including 389 types of radial tire cords and 173 types of bead wires and other wires as at the end of 2020.

FINANCIAL REVIEW

Revenue

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

RMB in million	**2020**	**Proportion**	2019 (Restated)	Proportion	Change
Radial tire cords	**6,626.9**	**86.3%**	6,681.3	88.1%	-0.8%
– For trucks	***4,192.9***	***54.6%***	*4,283.0*	*56.5%*	*-2.1%*
– For passenger cars	***2,434.0***	***31.7%***	*2,398.3*	*31.6%*	*+1.5%*
Bead wires and other wires	**1,053.0**	**13.7%**	900.3	11.9%	+17.0%
Total	**7,679.9**	**100.0%**	7,581.6	100.0%	+1.3%

During the year under review, the Group's revenue increased by 1.3% year-on-year to RMB7,679.9 million (2019: RMB7,581.6 million (restated)), mainly due to the growth in total sales volume of all products in 2020.

FINANCIAL REVIEW – *CONTINUED*

Gross profit and gross profit margin

The Group's gross profit increased by RMB64.5 million or 4.4% year-on-year to RMB1,528.5 million (2019: RMB1,464.0 million (restated)), with gross profit margin at 19.9% (2019: 19.3% (restated)), 0.6 percentage point higher year-on-year, mainly benefited from the costs saving from lower major raw material prices.

Other income

Other income increased by RMB32.8 million or 25.9% to RMB159.2 million (2019: RMB126.4 million), mainly due to the increase of bank interest income which was derived from term deposits and bank balances.

Government grants

Government grants for the year increased by RMB4.7 million or 34.3% to RMB18.4 million (2019: RMB13.7 million), due to the increase in subsidies from the local government.

Distribution and selling expenses

Distribution and selling expenses increased by RMB20.5 million or 3.8% to RMB564.7 million (2019: RMB544.2 million (restated)) mainly due to the share-based payment of Jiangsu Xingda amounted to RMB54.5 million in 2020, which was the cost of rewarding the sales team of Jiangsu Xingda Steel Tyre Cord Co. Ltd. The share-based payment of Jiangsu Xingda was partially offset by the lower costs of transportation and storage under lower export sales volume on a year-on-year basis.

Administrative expenses

Administrative expenses increased by RMB181.1 million or 47.4% to RMB563.3 million (2019: RMB382.2 million), mainly due to the Jiangsu Xingda's share-based payment of RMB141.1 million in 2020, which was the cost of rewarding the management of Jiangsu Xingda. In addition, increase in administrative related salaries and higher administrative costs of Thailand plant upon its commencement of production in year 2020 also lead to an increase in administrative expenses.

Other gain and losses, net

Other gains and losses, net decreased by RMB82.9 million or 264.9% from net gain of RMB31.3 million in 2019 to net loss of RMB51.6 million in 2020. It was mainly due to the net foreign exchange loss of RMB41.3 million recorded in 2020 (2019: net foreign exchange gain of RMB24.2 million) and decrease in fair value of financial assets at FVTPL.

FINANCIAL REVIEW – *CONTINUED*

Impairment loss recognised under expected credit loss model, net of reversal

Impairment loss recognised under expected credit loss model, net of reversal decreased by RMB32.7 million or 129.2% to a reversal of an impairment loss of RMB7.4 million (2019: impairment loss of RMB25.3 million). It was mainly attributable to a drop in an accumulated impairment loss recognised on trade receivables under impairment assessment by reference to the expected credit loss model in 2020.

Research and development expenditure

Research and development expenditure, increased by RMB1.4 million or 1.3% to RMB108.5 million (2019: RMB107.1 million). It was mainly due to the Group's ongoing effort on allocating more resources to enhance technology advancement on both production technique and emission reduction.

Finance costs

Finance costs increased by RMB29.8 million or 40.8% to RMB102.8 million (2019: RMB73.0 million) if the amount capitalised in the cost of qualifying assets of RMB21.8 million in 2020 (2019: RMB32.3 million) was excluded. The increase was mainly due to the rise of average balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB39.7 million or 30.7% to RMB169.0 million (2019: RMB129.3 million (restated)) and with an effective tax rate of 49.1% (2019: 24.1% (restated)). If the share-based payment of Jiangsu Xingda was excluded, the underlying profit ("Underlying Profit") of the year would be RMB446.3 million. The increase in income tax expense was mainly due to the increase in tax on higher underlying profit and increase in withholding tax arising from dividend paid to a foreign wholly owned subsidiary of the Group. The effective tax rate on Underlying Profit was 27.5% (2019: 24.1% (restated)).

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2020 decreased by RMB231.1 million or 56.9% to RMB175.4 million (2019: RMB406.5 million (restated)). If the share-based payment of Jiangsu Xingda was excluded, the adjusted net profit of the Group for the year ended 31 December 2020 would be RMB446.3 million, representing an increase of RMB39.8 million or 9.8% when compared with the previous year.

FINANCIAL REVIEW – *CONTINUED*

Reconciliation of report profit and underlying profit

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Profit for the year	**175,448**	406,525
Share-based payment of Jiangsu Xingda	**270,848**	–
Underlying profit for the year	**446,296**	406,525
Underlying profit for the year attributable to:		
Owners of the Company	**313,067**	285,798
Non-controlling interests	**133,229**	120,727
	446,296	406,525

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 operating activities and financing activities whereas the principal uses of cash were for the expansion of production capacity and placement of term deposits.

Cash and cash equivalents including bank deposits of the Group increased by RMB414.1 million or 83.2% from RMB497.9 million as at 31 December 2019 to RMB912.0 million as at 31 December 2020. The increase was mainly due to the cash generated from operating activities of RMB65.3 million, bank overdrafts of RMB21.0 million and financing activities of RMB1,365.3 million exceeding the cash that has been used in investment activities of RMB1,032.9 million and the effect of foreign exchange rate changes of RMB4.6 million.

The total of borrowings and bank overdrafts increased by RMB1,421.3 million or 65.4% to RMB3,594.2 million as at 31 December 2020 from RMB2,172.9 million as at 31 December 2019. The borrowings carried interest at market rates from 2.31% to 4.90% (2019: 2.92% to 5.20%). Borrowings of RMB2,924.2 million are repayable within one year from 31 December 2020 and the remaining borrowings of RMB670.0 million are repayable after one year from 31 December 2020.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – *CONTINUED*

As at 31 December 2020, the Group's current assets increased by RMB1,172.4 million or 17.3% to RMB7,932.8 million (2019: RMB6,760.4 million(restated)). Current liabilities increased by RMB1,411.7 million or 24.7% to RMB7,121.8 million (2019: RMB5,710.1 million(restated)). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.11 times (2019: 1.18 times). The decrease was mainly due to the increase of borrowings which are due within one year and dividend payable to non-controlling interests. The gearing ratio (being defined as total debts (borrowings and bank overdrafts) divided by total assets) as at 31 December 2020 was 22.9% (2019: 15.9%(restated)).

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and Euros. Part of the sales proceeds of 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 2020 has been lessened.

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

CAPITAL EXPENDITURE

For the year ended 31 December 2020, capital expenditure for property, plant and equipment amounted to RMB638.9 million (2019: RMB1,187.9 million).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had made a capital commitment of approximately RMB594.8 million (31 December 2019: RMB350.9 million) for acquisition of property, plant and equipment contracted for but not provided in the 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 2020 and 31 December 2019 respectively.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2020 and 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's pledged term deposits to secure its bank borrowings amounted to RMB801.7 million (2019: RMB420.0 million).

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan (Cayman) Holding Limited ("Prinx Chengshan", stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK$71.4 million. 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 RMB0.3 million was recorded during the year ended 31 December 2020 (2019: gain of RMB24.4 million).

The fair value of the investment in Prinx Chengshan as at 31 December 2020 was RMB84.4 million (2019: RMB84.7 million). The above mentioned investment accounted for 0.5% and 0.6% of the total assets value of the Group as at 31 December 2020 and 31 December 2019 respectively.

Save as disclosed above, the Group had no other significant investments for the years ended 31 December 2020 and 2019 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 18 November 2020, Jiangsu Xingda (a non-wholly owned subsidiary of the Company) entered into a capital increase agreement with Faith Maple International Limited ("Faith Maple") (a wholly-owned subsidiary of the Company) and 東營融聚投資中心(有限合夥) (Dongying Rongju Investment Centre (Limited Partnership)*)("Dongying Rongju"), pursuant to which among others, Dongying Rongju agreed to subscribe for 2.47% of the total equity interest (on an enlarged basis) in Jiangsu Xingda at an equivalent total capital contribution of approximately RMB161.2 million which shall be satisfied by the transfer of its 24.50% equity interest in 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.*) ("Shandong Xingda") to Jiangsu Xingda.

On 18 November 2020, Jiangsu Xingda and Dongying Rongju entered into an equity transfer agreement, pursuant to which Dongying Rongju agreed to transfer its 24.50% equity interest in Shandong Xingda to Jiangsu Xingda, which is satisfied by the issuance of registered capital by Jiangsu Xingda representing 2.47% of its total equity interest (on an enlarged basis).

Upon completion of the transactions disclosed above, Shandong Xingda would become an indirect wholly owned subsidiary of the Company.

For details, please refer to the announcement of the Company dated 18 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES – *CONTINUED*

On 16 December 2020, Jiangsu Xingda (a non-wholly owned subsidiary of the Company) entered into the capital increase agreements ("Capital Increase Agreements") with the 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"), pursuant to which, among others, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre and Jiaxing Jianxin Chenyue agreed to make capital contributions of RMB50 million, RMB50 million, RMB50 million, RMB50 million and RMB30 million respectively, in cash to Jiangsu Xingda to subscribe for equity interest in Jiangsu Xingda. The capital contributions, would, in aggregate, amounted to RMB230 million.

Upon completion of the transactions contemplated under the Capital Increase Agreements, the registered capital of Jiangsu Xingda will be increased to RMB1,908,175,265 and Jiangsu Xingda will be held as to approximately 70.32%, 0.73%, 0.73%, 0.73%, 0.73%, 0.43% and 26.33% by Faith Maple, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre, Jiaxing Jianxin Chenyue and certain other shareholders, respectively.

For details, please refer to the announcement of the Company dated 16 December 2020.

HUMAN RESOURCES

As at 31 December 2020, the Group had approximately 7,100 full time employees (31 December 2019: approximately 7,200). Total staff costs including directors' remuneration for the year ended 31 December 2020 was approximately RMB1,048.7 million (2019: approximately RMB733.7 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 and Shandong Xingda contributes 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 2020, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and 泰州興達特種鋼絲繩有限公司 (Taizhou Xingda Specialized Wires Co., Ltd.) was RMB13.2 million (2019: RMB11.6 million).

HUMAN RESOURCES – *CONTINUED*

According to the Social Insurance Regulations published by the State Council of China on 14 January 1999, the Group is required to make contributions to pension funds and insurance policies for its employees. Full-time employees of the Group in China are covered by the contributory pension scheme managed by the 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.

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. As at 31 December 2020, the balance of the Fourth Batch and Fifth Batch Shares were 3,252,000 shares and 4,556,194 shares respectively.

As at 31 December 2020, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and two-thirds of Fourth Batch Shares have been vested with selected employees. One-third of the Fourth Batch Shares and the Fifth Batch Shares are expected to be vested with selected employees in a four-year period from 2021 to 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The emergence of several COVID-19 vaccines towards the end of 2020 created a silver lining for the global economy. It is now possible that the pandemic will be contained in the near future, with favorable consequences for the recovery of the global economy in the next year. The Chinese economy has demonstrated its resilience amid the impacts of the pandemic and has become the first country to recover among all of the world's economies. In addition, 2021 is the first year of the 14th Five-year Plan, the Chinese government will continue to adhere to the general principle of "making progress while maintaining stability" and adopt monetary policies and fiscal policies as the key means to maintain the operation of its economy in a reasonable range. Although domestic and foreign economic activities have gradually resumed, there remains risks of uncertainties and imbalances.

While setting strategic goals for its business, Xingda will strengthen its risk management, covering corporate strategies, business operations and financial risks.

2020 was an important year for the tire industry in China. Certain domestic tire companies actively invested capital in construction and capacity expansion, which are both expected to drive market demand in the future. The Group will work together with radial tire customers to grasp new opportunities for growth and technological innovation arising from the industry's use of intelligent manufacturing and the Industry of Internet in a bid to lead the new development of the industry. Xingda will enhance its core competitiveness, improve the quality of its products and its management and operation standards, stabilize sales growth overseas and prudently respond to the ever-changing political environment.

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 71, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He has also been a director of Faith Maple International Ltd. ("Faith Maple") since 16 June 2004, a director of 興達國際(上海)特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.*) ("Xingda International (Shanghai)") since 18 September 2006, a director of 江蘇興達特種金屬複合線有限公司 (Jiangsu Xingda Special Cord Co., Ltd.*) ("Xingda Special Cord") since 13 June 2007 and a director of 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.*) ("Shandong Xingda") since 27 June 2011. Both Faith Maple and Xingda International (Shanghai) are wholly-owned subsidiaries of the Company whereas Xingda Special Cord is a non-wholly owned subsidiary of the Company. He joined Xingda Steel Tyre Cord Group, the predecessor of 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.*) ("Jiangsu Xingda") since May 1994 and has been a director of Jiangsu Xingda since its establishment in 1998. He is also the sole director of Great Trade Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Liu was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by the State Council in 2005. He was recognized as 中國橡膠工業科學發展帶頭人 (Leader in Technology Development in China Rubber Industry*) by the China Rubber Industry Association in April 2005 and was awarded 科技進步獎一等獎 (the Technology Improvement Award (First Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by 中國石油和化學工業協會 (China Petroleum and Chemical Industry Association*) in December 2003 and 全國五一勞動節獎章 (the National 1 May Labor medal*) by 中華全國總工會 (All China Federation of Trade Unions*) in April 2003. He is a senior engineer. Mr. Liu has more than 25 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 44, has been an executive Director since August 2005. He has also been a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. He is also the sole director of In-Plus Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan*) of 中國人民解放軍 (the People's Liberation Army*) in 2004. In 2009, he graduated from Fudan University with a master's degree in business administration. Mr. Liu has approximately 25 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 58, has been an executive Director since August 2005. He has also been a director of Xingda International (Shanghai) since 18 September 2006, a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 6 June 2016. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in May 1994, and since the establishment of Jiangsu Xingda in 1998, he has been a vice president and a director of the sales and marketing department of Jiangsu Xingda with the overall responsibility of formulating sales and marketing plans. He is also the sole director of Perfect Sino Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. He attended senior sales and marketing executives training classes organized by 職業經理訓練中心 (Executives Training Centre*) of Tsinghua University and obtained a certificate in May 2004. Mr. Tao has more than 25 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 51, has been an executive Director and Chief Financial Officer of the Company since August 2005. He has also been a director of Jiangsu Xingda since 25 January 2003 a director of Xingda 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 20 years of experience in the radial tire cord manufacturing industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 64, has been an independent non-executive Director since August 2005. Mr. Koo has many years of experience in investment banking and professional accounting. Mr. Koo serves currently as an independent non-executive director of Good Friend International Holdings Inc., Li Ning Company Limited and Winfull Group Holdings Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). While Mr. Koo has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional 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 79, has been an independent non-executive Director since August 2005. He has been appointed as the Vice Chairman of the Board with effect from 1 January 2016. Mr. Sharp is 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 53 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 77, has been an independent non-executive Director since August 2005. She has served in various positions in Beijing Research and Design Institute of Rubber Industry since 1965. She was the deputy dean in charge of technology research and development between 1995 and 2003. She was also the person in charge of the "高速、低滾動阻力子午線輪胎系列產品生產技術開發" (Development of Production Techniques for Radial Tyre Products of High Speed and Low Rolling Resistance*) project, one of the "九五"國家重點科技攻關項目 (Key Technologies Research and Development Program for the Ninth "Five-Year Plan"*) in 1995. Ms. Xu has been the deputy chairman of the China Rubber Industry Association since 2004. She has been the head of 骨架材料專業委員會 (the skeleton materials committee*) and 橡膠助劑專業委員會 (the rubber chemicals committee*) since 2002 and 2001, respectively. Since May 2007, she has served as an independent director of China Sunsine Chemical Holdings Ltd., a company listed on the Singapore Exchange Limited. While Ms. Xu has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that she is able and will continue to exercise independent and professional 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 53 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 45, 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 21 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 2020.

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 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and comprehensive income on page 98 of the annual report.

A final dividend of 15.0 HK cents per share for the year ended 31 December 2019 was paid to the shareholders of the Company during the year ended 31 December 2020.

The Board has recommended the payment of a final dividend of 15.0 HK cents (approximately RMB12.6 cents) per share for the financial year ended 31 December 2020 with the shareholders of the Company being given an option to elect to receive such proposed final dividend all in new shares, or all in cash, or partly in new shares and partly in cash (the "Scrip Dividend Scheme"). The proposed final dividend will be paid to the shareholders whose names appear on the register of members of the Company on Friday, 18 June 2021.

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

A circular containing full details of the Scrip Dividend Scheme together with the form of election is expected to be sent out to the shareholders on or around Friday, 2 July 2021. It is expected that the final dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Friday, 30 July 2021.

DIVIDEND POLICY

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

(i) the general financial condition of the Group;

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

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

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

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

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

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

(viii) the general market conditions; and

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

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

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the section headed "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 2020.

ENVIRONMENTAL POLICIIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2020 are set out in the section headed "Environmental, Social and Governance Report 2020" on pages 54 to 92 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 Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 8 June 2021, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 2 June 2021.

The proposed final dividend for the year ended 31 December 2020 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 8 June 2021. The register of members of the Company will be closed from Wednesday, 16 June 2021 to Friday, 18 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 June 2021.

DONATION

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the consolidated financial statements, is set out on pages 203 and 204 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 2020 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 2020 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 2020** *HKD'000*	**Balance of net proceeds as at 31 December 2020** *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	20,551	49,449	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	700,602	386,398	

The remaining amount of approximately HKD386 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 2020, 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 2020 are set out in note 33 to the consolidated financial statements. During the year ended 31 December 2020, 76,114,970 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 2019 final dividend. Further details of the issue of scrip dividends are set out in the Company's circular dated 9 July 2020.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on pages 101 to 103 of this annual report and note 42 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserves available for distribution represent the share premium and contributed surplus net of retained losses which in aggregate amounted to approximately RMB769.5 million (2019: RMB739.7 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 2020 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 2020 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 Jinlan, Mr. Tao Jinxiang and Mr. William John Sharp 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.

CONNECTED TRANSACTION

Capital Increase Agreement and Shandong Xingda Equity Transfer Agreement

On 18 November 2020, 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co. Ltd.*) ("**Jiangsu Xingda**") (a non-wholly owned subsidiary of the Company) entered into the capital increase agreement ("**Capital Increase Agreement**") with Faith Maple International Limited ("**Faith Maple**")(a wholly-owned subsidiary of the Company) and 東營融聚投資中心(有限合夥)(Dongying Rongju Investment Centre (Limited Partnership)*)("**Dongying Rongju**"), pursuant to which, among others, Dongying Rongju agreed to subscribe for 2.47% of the total equity interest (on an enlarged basis) in Jiangsu Xingda at an equivalent total capital contribution of approximately RMB161,163,000 which shall be satisfied by the transfer of its 24.50% equity interest in 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.*)("**Shandong Xingda**") to Jiangsu Xingda ("**Capital Subscription**").

On 18 November 2020, Jiangsu Xingda and Dongying Rongju entered into an equity transfer agreement (the "**Shandong Xingda Equity Transfer Agreement**"), pursuant to which Dongying Rongju agreed to transfer its 24.50% equity interest in Shandong Xingda to Jiangsu Xingda, which is satisfied by the issuance of registered capital by Jiangsu Xingda representing 2.47% of its total equity interest (on an enlarged basis).

As at 18 November 2020, Shandong Xingda was a non-wholly owned subsidiary of the Company, where 42.38% and 33.12% of its total equity interest were held through Faith Maple and Jiangsu Xingda Special Cord Co., Ltd. ("**Xingda Special Cord**")(a non-wholly owned subsidiary of the Company), respectively. Upon completion of the acquisition of 24.50% equity interest in Shandong Xingda by Jiangsu Xingda from Dongying Rongju as contemplated under the Capital Increase Agreement and the Shandong Xingda Equity Transfer Agreement ("**Shandong Xingda Acquisition**"), Shandong Xingda would become an indirect wholly owned subsidiary of the Company.

As at 18 November 2020, Dongying Rongju was a substantial shareholder of Shandong Xingda, and therefore a connected person of the Company. As such, the Shandong Xingda Acquisition and the Capital Subscription as contemplated under the Capital Increase Agreement constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

The applicable percentage ratio(s) (as defined in the Listing Rules) in respect of each of the Capital Subscription and the Shandong Xingda Acquisition exceed 5% but are less than 25%. Pursuant to Rule 14A.101 of the Listing Rules, given that (1) Dongying Rongju was only a connected person of the Company at the subsidiary level; (2) the Board has approved the transactions contemplated under the Capital Increase Agreement (including the Capital Subscription and the Shandong Xingda Acquisition); and (3) the Directors (including the independent non-executive Directors) are of the view that (although the transactions under the Capital Increase Agreement are not entered into in the ordinary and usual course of business of the Group), the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and its shareholders as a whole, therefore, the Capital Subscription and the Shandong Xingda Acquisition are only subject to the reporting and announcement requirements, and are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The aforesaid transactions also constituted discloseable transactions of the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

CONNECTED TRANSACTION – *CONTINUED*

Capital Increase Agreement and Shandong Xingda Equity Transfer Agreement – *Continued*

The transactions contemplated under the Capital Increase Agreement (including the Capital Subscription and the Shandong Xingda Acquisition) are part of the reorganization of the Group to consolidate the equity interest in Shandong Xingda (which is one of the production bases for the tire-related business of the Group) under Jiangsu Xingda.

Please refer to the announcement of the Company dated 18 November 2020 for details of the Capital Subscription and the Shandong Xingda Acquisition.

RELATED PARTY TRANSACTIONS

Certain related party transactions were entered into by the Group during the year ended 31 December 2020, 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 2020.

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 2020. 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 2020.

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 2020, 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 2020 *(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)*	714,168,457	44.443%
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)*	714,168,457	44.443%
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)*	714,168,457	44.443%
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)*	714,168,457	44.443%
Koo Fook Sun, Louis	Beneficial owner	408,048	0.025%
William John Sharp	Beneficial owner	316,000	0.020%
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 24,580,275 shares in his own name as at 31 December 2020. 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 of the Company dated 8 December 2006 (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 2020, Great Trade Limited held 268,104,883 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 18,132,299 shares in his own name as at 31 December 2020. 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 2020, In-Plus Limited held 150,614,000 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 5,464,000 shares in his own name as at 31 December 2020. 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 2020, 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 2,692,000 shares in his own name as at 31 December 2020. 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 2020, 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 2020, i.e. 1,606,928,193 shares.

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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 2020
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,114	0.000062%

Save as disclosed above, as at 31 December 2020, 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 2020 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 2020, 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 2020 *(note 3)*
Great Trade Limited	Beneficial owner	268,104,883	Long position	16.68%
In-Plus Limited	Beneficial owner	150,614,000	Long position	9.37%
Perfect Sino Limited	Beneficial owner	116,259,000	Long position	7.23%
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)*	714,168,457	Long position	44.44%
FIL Limited	Interests of controlled corporations *(note 3)*	144,791,204	Long position	9.01%
Pandanus Associates Inc.	Interests of controlled corporations *(note 3)*	144,791,204	Long position	9.01%
Pandanus Partners L.P.	Interests of controlled corporations *(note 3)*	144,791,204	Long position	9.01%
Brown Brothers Harriman & Co.	Agent	80,574,307	Lending pool	5.01%
		80,574,307	Long position	5.01%

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 37,532,000 shares in his own name as at 31 December 2020. 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 2020, Wise Creative Limited held 48,065,000 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 2020, FIL Investment Management (Singapore) Limited and FIL Investment Management (Hong Kong) Limited held 81,827,515 and 15,490,241 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.

3. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2020, i.e. 1,606,928,193 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 2020 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 2020.

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 2020 is disclosed in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 36% of the Group's total revenue and the largest customer contributed approximately 9% of the Group's total revenue for the year ended 31 December 2020. The five largest suppliers represented approximately 91% of the Group's total purchases and the largest supplier represented approximately 85% of the Group's total purchases for the year ended 31 December 2020.

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

15 April 2021

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 2020, except for the following:–

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

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

THE BOARD

Composition and responsibilities

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

THE BOARD – *CONTINUED*

Composition and responsibilities – *Continued*

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

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

The Board currently comprises 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 at approximately quarterly intervals. For the year ended 31 December 2020, 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 2020:

	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	3/3	1/1	1/1	N/A	N/A	N/A
Mr. William John SHARP	0/1	4/4	3/3	1/1	N/A	N/A	N/A	N/A
Ms. XU Chunhua	1/1	4/4	3/3	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 2020, all independent non-executive Directors have served the Company for more than 9 years and their further re-appointment shall be subject to a separate resolution to be approved by shareholders in accordance with the requirements under Code Provision A.4.3 of the Corporate Governance Code.

Pursuant to Article 87 of the Articles of Association, Mr. Liu Jinlan, Mr. Tao Jinxiang and Mr. William John Sharp 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 to update them about the amendments to the environmental, social and governance reporting guide and related Listing Rules. The training records kept and provided by the Directors in the year 2020 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

During the year ended 31 December 2020, 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 BOARD – *CONTINUED*

Training and continuous professional development – *Continued*

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 2020 to indemnify the Directors and officers for their liabilities arising out of corporate activities. The insurance coverage and premium is reviewed on an annual basis.

BOARD COMMITTEES

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

Audit Committee

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

The major roles and functions of the Audit Committee are 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;

BOARD COMMITTEES – *CONTINUED*

Audit Committee – *Continued*

(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.

During the year ended 31 December 2020, the Audit Committee had three meetings and out of these, two meetings were held with the external auditor. During the meetings held, the Audit Committee had performed the following work:

- reviewing the audited financial statements for the year ended 31 December 2019 and the unaudited financial statements for the six months ended 30 June 2020;
- 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 2020;
- 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.

BOARD COMMITTEES – *CONTINUED*

Audit Committee – *Continued*

On 29 March 2021, the Audit Committee met with the professional body to review the 2020 Environmental, Social and Governance Report. On 15 April 2021, the Audit Committee met with the external auditor to review the audited financial statements for the year ended 31 December 2020.

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

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.

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *Continued*

The Remuneration Committee met one time during the year ended 31 December 2020. 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 2019;

- 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 2020 with reference to the remuneration package of the Board in 2019 and the Group's estimated financial performance for the year ended 31 December 2020;

- approving the granting 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.

Subsequent to the year ended 31 December 2020, the Remuneration Committee held one meeting on 15 March 2021. 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 2020;

- 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 2021 with reference to the remuneration package of the Directors in 2020 and the Group's estimated financial performance for the year ending 31 December 2021;

- resolved that the total remuneration and compensation of the Directors and senior management paid for the year ended 31 December 2020 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 2020.

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

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *Continued*

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

	Number of individuals
RMB1,000,000 or below	7
RMB1,000,001–RMB2,000,000	1
RMB2,000,001–RMB3,000,000	1
RMB3,000,001–RMB4,000,000	1
RMB9,000,001–RMB10,000,000	1
RMB10,000,001–RMB11,000,000	1
RMB11,000,001–RMB12,000,000	1
RMB25,000,001–RMB26,000,000	1
RMB28,000,001–RMB29,000,000	1
RMB29,000,001–RMB30,000,000	1
RMB40,000,001–RMB41,000,000	1

Nomination Committee

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

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.

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *Continued*

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 2020, 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 2020.

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 2020, the Nomination Committee members have reviewed the structure, size composition and diversity of the Board and the Policy to ensure its effectiveness.

Nomination Policy

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

a. the candidate's reputation for integrity;

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

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

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

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

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

BOARD COMMITTEES – *CONTINUED*

Remuneration and Management Development Committee – *Continued*

Nomination Policy – Continued

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

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

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

Executive Committee

The Company established the Executive Committee on 30 September 2005. The principal functions and responsibilities of the Executive Committee are to determine, approve and oversee the day-to-day control over the allocation of the resources of the Group. The Executive Committee consists of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2020.

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 2020.

BOARD COMMITTEES – *CONTINUED*

Investment and International Development Committee

The Company established the Investment and International Development Committee on 30 September 2005. The principal functions and responsibilities of the Investment and International Development Committee are to consider, approve and oversee the Group's international market development and investment related initiatives and allocations of resources, and make recommendations on new development initiatives to the Board for approval. The Investment and International Development Committee consists of three Directors, namely Mr. Liu Jinlan, Mr. Zhang Yuxiao and Mr. Tao Jinxiang. The chairman of the Investment and International Development Committee is Mr. Zhang Yuxiao. The Investment and International Development Committee had one meeting during the year ended 31 December 2020.

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 2020. 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 2020. A copy of an up-to-date consolidated version of the Memorandum of Association and Articles of Association has been uploaded and maintained on the websites of the Company and the Stock Exchange.

SHAREHOLDERS RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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

SHAREHOLDERS RIGHTS – *CONTINUED*

Procedures for shareholders to put forward proposals at a general meeting

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

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

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

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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 2020, 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 2020, 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 51 and 52 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2020, the Group paid approximately RMB1,668,000 and RMB363,000 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 2020. The assessment result reflects that no significant weakness was found in the risk management system and internal control system of the Group and the risk management and internal control systems are effective and adequate.

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

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

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

Process used to identify, evaluate and manage significant risks

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

Main features of Risk Management and Internal Control Systems

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

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

Risks handling approach

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

RISK MANAGEMENT AND INTERNAL CONTROL – *CONTINUED*

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

In order to comply with the Code Provision C.2 of the Corporate Governance Code, the enterprise risk assessment and internal control systems review are conducted by the Group during the year ended 31 December 2020. The four aspects of risk assessment and control systems including strategic, financial, operational and compliance are reviewed by Audit Committee and Board. Both the Audit Committee and the Board are satisfied that there has been no major and significant deficiency nor defects noted in the areas of the Group's risk management and internal controls systems. The Board considered that the effectiveness of both risk management system and internal control system are ensured.

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

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

1. the officers' obligations;
2. preservation of confidentiality of inside information before it is fully disclosed to the public;
3. handling of media speculations, market rumours and analysts' report;
4. circumstances that disclosure is prohibited;
5. disclosure of inside information to the public; and
6. communications with media and investors.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020.

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 2020, 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 17 June 2020, the Chairman of the Board, as well as Chairman of each of the Board Committees, or in their absence, at least one member of the respective Committees attended the annual general meeting to answer any questions raised by the shareholders. During that day, the external auditor was also available to answer any questions from the shareholders about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

APPROACH

Xingda International Holdings Limited (hereafter called "the Company") and its subsidiaries (collectively referred to as the "Group" or "Xingda") are principally engaged in manufacturing of radial tire cord, bead wire and other wires business. The Group has been focusing on upholding high product quality standards and operational efficiency, while being responsible to our people, the community and the environment. The Group will continue the good deed and fully commit to complying with the regulations and requirement.

The Group recognizes its responsibilities and accountability to all its stakeholders, including customers, existing shareholders and potential investors, employees, suppliers, non-governmental organizations (NGOs) and local community. It is the key to the Group's success through its understanding of the needs and expectations of its stakeholders. As each stakeholder requires a different engagement approach, we have established tailor-made communication methods in order to better meet each stakeholder's needs and expectations.

Within the Group, we often keep a close eye on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and opportunities which exist in our daily operations, and at the same time, embracing transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, the communities and other stakeholders.

The Group has adopted the top-down approach with regard to the following sustainability strategies which apply to all levels of the Group:

1. To achieve environmental sustainability

2. To respect human rights and social culture

3. To engage with stakeholders

4. To support our employees

5. To sustain local communities

ABOUT THIS REPORT

The Group is pleased to present its environmental, social and governance ("ESG") report (the "Report") to all its stakeholders. This report delivers Xingda's compelling environmental, social and governance ("ESG") performances from 1 January 2020 to 31 December 2020 (the "Reporting Year") as well as its long-term commitment to ESG. In the Reporting Year, Xingda mainly focused on its operation in Jiangsu Province ("Jiangsu Xingda") and Shandong Province ("Shandong Xingda"), People's Republic of China ("PRC"). The Group has further expanded its global strategy and started its production in Thailand ("Thailand Xingda") since 2020. This report describes Xingda's progress in its way towards developing sustainable values for its shareholders and stakeholders. The Reporting Year coincides with our financial year.

Scope of the Report

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in the PRC and Thailand from 1 January 2020 to 31 December 2020.

For the Reporting Year, the material ESG issues are those which have or may have a significant impact on:

- the PRC's and Thailand's tire cord, bead wire and other wires business;
- the current or future environment or society in which we operate;
- our financial performance or operations; and/or
- our stakeholders' assessments, decisions and actions.

The data and information used in this report are referenced from our archived documents, records, statistics and research.

Feedback

For details in relation to our financial performance and corporate governance, please visit our website on http://www.xingda.com.cn/ and our Annual Reports. We also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquiries to us at hr@xingda.com.cn.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

ABOUT XINGDA

Our Business

The Company was listed on the Main Board of the Stock Exchange in 2006 (stock code 1899). The principal operating activity of the Group is manufacturing of radial tire cord, bead wire and other wires in Mainland China. With nearly three decades of endeavor and development, its dedication pays off and its products have got into the international market. In 2019, the Group has expanded its global strategy to Thailand, and it has been actively engaged into production from second half of 2020 onwards. With advancement of production technology, continuous research and development and competencies enhancement, the Group maintains a leading position in the market.

Our Vision

To maintain the leading position in the radial tire cord, bead wire and other wires manufacturing industry in the PRC and to become the leading company in the radial tire cord business in Thailand.

Our Goals

To provide the best-in-class and safe products to meet customers' demands and create values to shareholders and investors based on our experienced and reliable working team with comprehensive knowledge of the industry.

Board of Directors (the "Board")

As at the date of this announcement, the Board consists of:

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

OUR STAKEHOLDERS

The Company actively strives to better understand and engage its stakeholders to ensure continuous improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

Stakeholders	Probable issues of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcements.	Workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Suppliers	Payment schedule, demand stability.	Site visits.
Shareholders/ Investors	Corporate governance system, business strategy and performance, and investment return.	Organizing and participating in seminars, interviews, shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts.
Media and Public	Corporate governance, environmental protection, and human rights.	Publishing newsletters on the Company's website.
Customers	Product quality, delivery times, reasonable prices, production value, labour protection and work safety.	Field investigation, and after-sales services.
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Union activities, trainings, interviews with employees, employee handbooks, internal memos, employee's suggestion boxes.
Community	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

Section A: Environmental

The Group is obliged to maintain its outstanding position as a leading manufacturer of radial tire cord, bead wire and other wires primarily in the PRC. In 2020, the Group's plant in Thailand has formally put into production, which allows the Group to further expand its global strategy and increase production yields of its quality products.

Section A: Environmental – *CONTINUED*

As a responsible company, the Group incorporates sustainability concepts while pursuing rapid business growth. We strive to minimize the environmental impacts from our operations by reducing emissions, making full use of resources, and contributed back to the community while taking the initiatives to guarantee the rights of shareholders.

We strictly comply with relevant environment laws and regulations in countries and regions we operate. Such laws include the Environmental Protection Law of China and the Enhancement and Conservation of the National Environmental Quality Act of Thailand. Meanwhile, policies to constantly improving our environmental performance, including setting objectives with high standards in accordance with relevant national and industrial standards, and closely monitoring a range of emission indicators on a continual basis, have been regularly formulated and updated, aiming to minimizing detrimental environmental impacts arising from our manufacturing operations.

With our dedicated effort, there was no material non-compliance issue with relevant laws and regulations related to the environment for the Reporting Year. The Group will continue to stay attentive to any infringement behavior which brings about critical environmental issues.

Aspect A1: Emissions

We have implemented eco-friendly measures to reduce carbon footprint in our business operations.

The Group's core business activities include manufacturing and processing radial tire cord, bead wires and other wires, which require production facilities such as fixed machines and equipment driven by natural gas. Meanwhile, since production base of Jiangsu Xingda had its own power plant for electricity generation, with a 150-tonne/hour high temperature and high pressure pulverized coal boiler and a 25MW generator system, several air pollutants and greenhouse gases are emitted in the course of production and power generation.

i) Air Emission[1]

During the Reporting Year, the total air pollutants produced due to the gaseous fuel consumption approximated to 70.19 tonnes (2019: 72.09 tonnes), with an intensity of approximately 0.010 tonnes per employee[2] (2019: 0.010 tonnes). Compared to financial year 2019, the total air pollution emission during the Reporting Year has decreased by approximately 2.6%. The material air pollutants emerged from the factories production and vehicles with the aforementioned sources was primarily composed of nitrogen oxides ("NOx"), sulphur oxides ("SOx"), respiratory suspended particles (also known as "Particulate Matter" or "PM"), hydrogen chloride gas ("HCl") and soot. The details of emission of air pollutants for the Reporting Year are illustrated as follow:

1 In the report, Air Emission data of NOx, SOx and soot of Jiangsu Xingda were provided by the online monitoring system of the Jiangsu Government;
Air Emission data of HCl, NOx, SOx and soot of Shandong Xingda were provided based on the report from a third-party inspection agency;
Air Emission data of HCl, NOx, SOx and soot of each operating machine in Thailand Xingda were provided based on the emission report issued by a third-party inspection agency.

2 The different intensity figures in this report were calculated per employee, which were 7,081 employees as at 31 December 2020 (31 December 2019: 7,152).

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

i) Air Emission – Continued

	Jiangsu Xingda	Shandong Xingda	Thailand Xingda
Waste Gas Emissions		**Discharge volume**	
Hydrogen chloride gas (tonnes)	6.64	1.37	0.0048
Nitrogen oxides (tonnes)	33.58	2.78	0.45
Particulate Matter (tonnes)[3]	–	0.00039	0.0083
Soot (tonnes)	1.20	0.44	0.20
Sulphur dioxides (tonnes)	22.71	0.73	0.081
Total waste gas produced in 2020 (tonnes)	***64.13***	***5.32***	***0.74***
Total waste gas produced in 2019 (tonnes)	***66.06***	***6.03***	***–***
% change in waste gas emission compared to 2019	***-2.9%***	***-11.8%***	***–[4]***

In an attempt to reduce air pollutants emission, the Group conducted regular and proper maintenance of direct-fire heaters to effectively reduce smoke emission generated by direct-heat heaters. In 2020, discharge volume of sulphur dioxide and soot of the Group has decreased by approximately 17.0% and 8.8% respectively as compared to 2019.

3 Air emission of particulate matter are mainly emerged from vehicles. However, due to limitation in data collection for the kilometres travelled by the vehicles, as well as the fuel consumed by the vehicles, the relevant emission data of operating vehicles from Jiangsu Xingda was not disclosed.

4 In this report, data comparison between 2019 and 2020 for Thailand Xingda was not disclosed since the plant was only in trial production in 2019.

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

i) Air Emission – Continued

In addition, Jiangsu Xingda and Shandong Xingda both adopted twin-tower series treatment technology. Among which, primary spraying purification tower uses purified water to absorb cyclically. The concentration of hydrochloric acid reaches 200-220g/L before purified water is used in the workshop again. Secondary spraying purification tower adopts alkaline liquor spraying treatment. This technology has reduced the density of HCl emitted to less than 5 milligrams per cubic meter in both of the two production bases, far below the Chinese national standard of 30 milligrams per cubic meter.

The Group will continue to work on waste gas elimination and strive to balance the interests between factory production and environment protection.

ii) Greenhouse Gas ("GHG") Emission

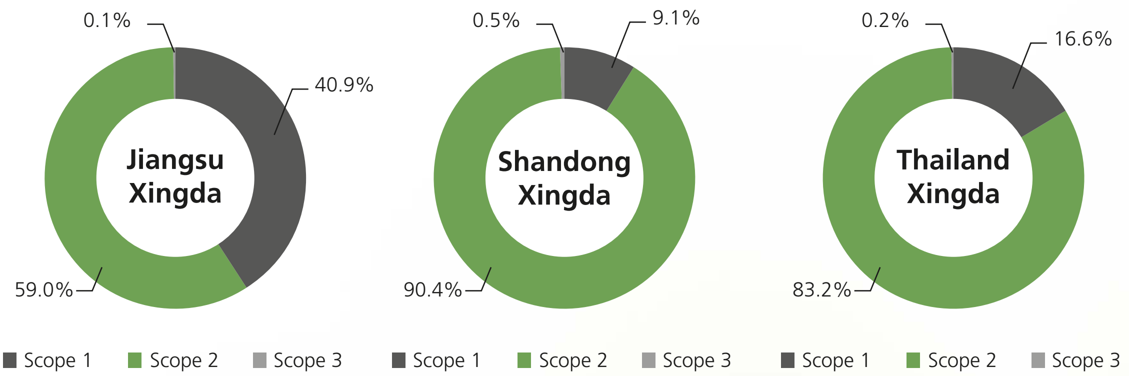
The GHG emissions of the Group can be broadly classified into three separate scopes as set out below:

Scope 1 – *Direct emissions from operations that are owned or controlled by the company;*

Scope 2 – *"Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company; and*

Scope 3 – *All other indirect emissions that occur outside the company, including both upstream and downstream emissions.*

Global warming is mainly derivable from greenhouse gas emissions. The main culprits of the GHG emission by Jiangsu, Shandong and Thailand plant were came from electricity consumption (Scope 2), which represented approximately 59.0%, 90.4% and 83.2% of the total GHG emission respectively. The total GHG emissions from direct and indirect sources by Jiangsu Xingda, Shandong Xingda and Thailand Xingda during the Reporting Year were amounted to approximately 1,265,956.57 tonnes, 143,081.28 tonnes and 14,803.70 tonnes respectively. The main greenhouse gas emitted from the three production bases is carbon dioxide. The detailed emissions of the three scopes are shown in the below table:



Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

ii) Greenhouse Gas ("GHG") Emission – Continued

	Jiangsu Xingda	Shandong Xingda	Thailand Xingda
Scope 1 (Direct emission)			
Stationary Combustion Sources			
– Coal, Diesel oil, Natural gas			
CO_2 emission (tonnes)	499,784.44	13,056.77	2,429.04
CH_4 Emission (tonnes)	17,415.33	5.63	1.05
N_2O Emission (tonnes)	1,284.49	18.47	3.43
Total GHG emission from stationary combustion source (tonnes)	**518,484.26**	**13,080.87**	**2,433.52**
Mobile Combustion Sources			
– Petrol, Diesel oil[5]			
CO_2 Emission (tonnes)	–	1.38	20.62
CH_4 Emission (tonnes)	–	0.0025	0.014
N_2O Emission (tonnes)	–	0.20	1.40
Total GHG emission from mobile combustion source (tonnes)	**–**	**1.58**	**22.03**
Sum of Scope 1 GHG Emission (tonnes)	**518,484.26**	**13,082.45**	**2,455.55**

[5] GHG mobile combustion sources primarily refer to GHG emission from vehicles. However, due to limitation in data collection for the kilometres travelled by the vehicles, as well as the fuel consumed by the vehicles, the relevant emission data of operating vehicles from Jiangsu Xingda was not disclosed.

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

ii) Greenhouse Gas ("GHG") Emission – Continued

	Jiangsu Xingda	Shandong Xingda	Thailand Xingda
Scope 2 (Energy indirect emission)			
Electricity[6]	746,693.87	129,367.77[7]	12,315.90
Sum of Scope 2 GHG Emission (tonnes)	**746,693.87**	**129,367.77**	**12,315.90**
Scope 3 (Other indirect emission)			
Paper	27.28	495.23	2.98
Electricity used for fresh water processing[8]	747.50	80.68	19.22
Electricity used for sewage water processing[8]	–[9]	55.15	–[9]
Business travel by employees[10]	3.66[11]	–[12]	10.05
Sum of Scope 3 GHG Emission (tonnes)	**778.44**	**631.06**	**32.25**
Total GHG Emission (tonnes) *(GHG emission intensity (tonnes))*	***1,265,956.57*** *(223.75)*	***143,081.28*** *(174.06)*	***14,803.70*** *(24.63)*
Total GHG Emission in 2019 (tonnes) *(GHG emission intensity (tonnes))*	***1,117,717.00*** *(182.45)*	***129,577.00*** *(172.08)*	***3,208.00*** *(11.75)*
% change in total GHG emissions compared to 2019	***+13.3%***	***+10.4%***	***+361.5%***

6 According to the "Online Carbon Dioxide Calculation System" of the Jiangsu Government in 2019, the power supply discharge coefficient of Jiangsu Province was set at 0.682 kg/kWh.

According to the《中國區域電網基準線排放因子》published by the Ministry of Ecology and Environment, PRC on 29th December 2020, the power supply discharge coefficient of Shandong Province was set at 0.9419 kg/kWh.

According to the "Thailand Power Development Plan" published by Energy Policy and Planning Office on 30 June 2015, the power supply discharge coefficient of Thailand was set at 0.383 kg/kWh.

7 Household electricity consumption was omitted for the calculation of Scope 2 emission in Shandong Xingda. Only electricity consumption from factory production which served for operation purposes was included in Scope 2 emission calculation.

8 The per unit electricity consumption for processing fresh water and sewage in the PRC and Thailand was assumed to be at 0.606 kWh and 0.29 kWh, which were as same as the case in Hong Kong according to the 2018/19 Annual Report of Water Supplies Department and 2019/20 Sustainability Report of Drainage Services Department, HKSAR.

9 Indirect GHG emission due to electricity used for sewage water processing was not applicable for Jiangsu Xingda and Thailand Xingda since the two business units handled sewage water by themselves, and the relevant emissions were included in Scope 1.

10 CO_2 emissions from air travel was calculated by carbon emissions calculator ("ICAO Carbon Emissions Calculator").

11 According to the "Carbon Audit Toolkit for Small & Medium Enterprise in Hong Kong" published by the University of Hong Kong and City University of Hong Kong, the CO_2 emission is presented by the distance travelled from Hong Kong to destination city* CO_2 emission factor* Business Economic Factor (BEF); where the carbon emission factor for medium haul (>500, <1,600 km) was 0.12 and the BEF was 0.9 for economy class. Assumed same as the Mainland China.

12 There was no business air travel by employees for Shandong Xingda during 2020.

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

ii) Greenhouse Gas ("GHG") Emission – Continued

Alongside the aforementioned sources, there were also indirect emission sources noted as the electricity used in fresh water and sewage processing, paper waste disposal at landfills and business air travel by employees, representing the remaining GHG emission. The GHG emission intensity for Jiangsu Xingda, Shandong Xingda and Thailand Xingda were approximately 223.75 tonnes per employee (2019: 182.45 tonnes per employee); 174.06 tonnes per employee (2019: 172.08 tonnes per employee); and 24.63 tonnes per employee (2019: 11.75 tonnes per employee) respectively, with an overall 15.3% increase in GHG emission intensity due to increased production volume and active operation of Thailand plant.

As the operations of fixed machines and equipment were the major sources of the Group's carbon emission, three production bases are committed to reducing greenhouse gas emission to the minimum, so as to make contribution to cope with climate change.

Both Jiangsu Xingda and Thailand Xingda reduced average energy consumption through the implementation of a comprehensive energy saving upgrade and reconstruction scheme. On the other hand, Shandong Xingda utilized a residual heat recovery system which diverted the smoke generated by direct-fire heaters for its reuse by a boiler system, so as to reduce natural gas consumption and greenhouse gas emission.

We wish to limit our total GHG emission to an acceptable level by adopting our energy-saving and environmental sustainability initiatives. In the years to come, we will continue to explore strategies to support environmental conservation in innovative ways.

iii) Waste Management (including hazardous and non-hazardous waste)[13]

The increasing wastes generation have overwhelmed landfills. Together with significant environmental impacts of waste disposal, waste reduction has always been one of the Group's objectives.

Unregulated disposal of hazardous waste may affect the environment as well as the well-beings of the community. As our production involves the production of chemical waste, we place huge effort in waste management in order to better control and minimize the impacts of hazardous waste on the environment. With our comprehensive waste management policies, the hazardous waste, including waste engine oil and waste lead storage battery has greatly reduced during the Reporting Year.

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13 In this report, sewage processing emission data of Chemical Oxygen Demand ("COD") and ammonia nitrogen of Jiangsu Xingda were provided by online monitoring system of the Jiangsu Government; sewage processing emission data of COD and ammonia nitrogen of Shandong Xingda were provided by online monitoring system of the Shandong Government; sewage processing emission data of COD and ammonia nitrogen for Thailand Xingda were provided by the monthly emission report issued by a third-party inspection agency.

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

iii) Waste Management (including hazardous and non-hazardous waste – Continued

Waste arising from our production process can be classified into three main categories – sewage, hazardous waste and non-hazardous waste, details are as follow:

i) Sewage	**2020**	**2019**	**% change**
Chemical Oxygen Demand ("COD")			
Jiangsu Xingda	53.54	47.00	+13.9%
Shandong Xingda	2.51	3.49	-28.1%
Thailand Xingda	0.94	–	–
Total discharge volume of COD (tonnes)	***56.99***	***50.49***	***+12.9%***
Ammonia Nitrogen			
Jiangsu Xingda	0.77	0.42	+83.3%
Shandong Xingda	0.14	0.08	+75.0%
Thailand Xingda	–	–	–
Total discharge volume of ammonia nitrogen (tonnes)	***0.91***	***0.50***	***+82.0%***

ii) Hazardous Waste	**2020**	**2019**	**% change**
Finish Sludge			
Jiangsu Xingda	10,348.40	9,233.00	+12.1%
Shandong Xingda	663.66	709.00	-6.4%
Thailand Xingda	184.94	–	–
Total discharge volume of finish sludge (tonnes)	***11,197.00***	***9,942.00***	***+12.6%***
Hydrochloric Acid			
Jiangsu Xingda	9,596.00	9,005.00	+6.6%
Shandong Xingda	–	–[14]	–
Thailand Xingda	390.00	–	–
Total discharge volume of hydrochloric acid (tonnes)	***9,986.00***	***9,005.00***	***+10.9%***

14 Adjustment had been made on the discharge volume of hydrochloric acid in 2019 of Shandong Xingda due to reclassification of waste according to the Environmental Department standards of the Shandong Government.

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

iii) Waste Management (including hazardous and non-hazardous waste – Continued

ii) Hazardous Waste	**2020**	**2019**	**% change**
Waste Engine Oil			
Jiangsu Xingda	5.30	25.47	-79.2%
Shandong Xingda	1.89	0.78	+142.3%
Thailand Xingda	0.51	–	–
Total discharge volume of waste engine oil (tonnes)	***7.70***	***26.25***	***-70.7%***
Waste lead storage battery			
Jiangsu Xingda	33.56	43.78	-23.3%
Shandong Xingda	7.97	5.96	+33.7%
Thailand Xingda	–	–	–
Total discharge volume of waste lead storage battery (tonnes)	***41.53***	***49.74***	***-16.5%***

iii) Non-Hazardous Waste	**2020**	**2019**	**% change**
Packaging Materials			
Jiangsu Xingda	3,092.00	3,000.00	+3.1%
Shandong Xingda	239.81	215.55	+11.3%
Thailand Xingda	45.00	–	–
Total discharge volume of packing materials (tonnes)	***3,376.81***	***3,215.55***	***+5.0%***
Cords			
Jiangsu Xingda	5,668.00	5,501.00	+3.0%
Shandong Xingda	1,284.29	1,300.00	-1.2%
Thailand Xingda	288.62	–	–
Total discharge volume of cords (tonnes)	***7,240.91***	***6,801.00***	***+6.5%***

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

iii) Waste Management (including hazardous and non-hazardous waste – Continued

Sewage Treatment

From the above table, there was an overall increase in the discharge volume of sewage, and as the base of ammonia nitrogen is relatively small, a slightly increase in the emission volume results to a huge percentage increase as compared to 2019.

Regarding to sewage, Jiangsu Xingda improved treatment technology of lubricant waste in sewage station to improve the efficiency of wastewater discharge and control discharge volume of pollutants. Benefited by the upgrade of the environmental protection facilities and improvement in sewage treatment efficiency, the discharge volume of ammonia nitrogen is maintained at similar level as compared to 2019.

On the other hand, Shandong Xingda also implemented multiple measures to reduce wastewater discharge. Such measures include the recycling of domestic wastewater to reuse for toilets and greenery in the plant area, so as to reduce domestic wastewater discharge. Discharge volume of COD in 2020 decreased by approximately 28.1% as compared to 2019. To tackle wastewater with copper content, other than controlling the use of water in the workshops, Shangdong Xingda retrofitted copper ion absorbers to the electroplating lines to reduce the copper ion in wastewater.

Aside from that, Thailand Xingda utilized evaporation crystallization treatment technology to improve its wastewater treatment efficiency, so as to reduce the emission of pollutants. Through recycling and reusing treated wastewater, the overall wastewater discharge was further reduced.

Hazardous Waste Treatment

For hazardous waste, there was approximately 12.6% increase in the discharge volume of finish sludge as a result of increased production yield. However, it records an obvious decrease in the discharge volume of waste engine oil and waste lead battery at around 70.7% and 16.5% respectively.

As for hazardous wastes, we have formulated a set of strict internal guidelines for handing them over to qualified relevant entities to prevent external leakage that would pose a threat to the environment.

Regarding dangerous waste, Jiangsu Xingda took the initiative to replace obsolete filter press with new program-control filter press for harmful finish sludge to reduce the water content of the sludge and the amount of sludge generated effectively.

Section A: Environmental – *CONTINUED*

Aspect A1: Emissions – *Continued*

iii) Waste Management (including hazardous and non-hazardous waste – Continued

Hazardous Waste Treatment – *Continued*

Besides, Jiangsu Xingda recycled acid waste through phosphoric acid regeneration equipment and hydrochloric acid waste treatment center for integrated utilization, reducing the amount of phosphoric acid waste discharged and the amount of phosphoric acid and hydrochloric acid used, lowering the consumption of phosphoric acid and hydrochloric acid. For the treatment of acid mist, Jiangsu Xingda also launched an electroplating acid mist recycling project to reuse the hydrochloric acid generated in the process of production in the workshops, which further reduced the discharge of hydrochloric acid.

Shandong Xingda also conducted sludge drying after the filter press thereby reducing the overall disposal volume of finish sludge.

For Thailand Xingda, the plant aims to cut down hazardous waste consumption by recycling and reusing acid so as to control the discharge volume of hydrochloric acid; and through evaporative crystallization, Thailand Xingda successfully reduces the water content in sludge and hence eliminate the production volume of finish sludge.

Non-Hazardous Waste Treatment

For non-hazardous waste, three units increased the usage of packaging materials involved in production.

For solid waste, all kinds of solid waste were collected from each production base, with non-hazardous wastes being sold to the recycler, and domestic wastes being disposed of by the sanitation department.

Through recycling packaging materials and boosting the yield rate of products, we are committed to reducing the amount of non-hazardous waste including packaging materials and cords wastes discharged by each production bases.

Aspect A2: Use of Resources

Green and low-carbon is the only way to sustainable development of our society. The Group has been committed to becoming a resource-saving and environment-friendly enterprise through actively strengthening energy-saving capacity.

Various consumption including direct or indirect materials consumed in the course of production, including natural gas, diesel, coal, standard coal, and packaging materials. Respective consumption of electricity, water and various resources by Jiangsu Xingda and Shandong Xingda and Thailand Xingda in 2020 are set forth as below:

Section A: Environmental – *CONTINUED*

Aspect A2: Use of Resources – *Continued*

i) Raw materials Consumption

In terms of production, the main raw material for radial tire cords and bead wires used to manufacture radial tires was high carbon steel. In 2020, Jiangsu Xingda, Shandong Xingda and Thailand Xingda consumed were amounted to approximately 767,807 tonnes, 100,362 tonnes and 19,191 tonnes of wire rods respectively in the course of production. We strive to improve production capacity and one-time production yield rate, and reduce the use of raw materials and disposal of waste. We also promote recycling of resources actively by, for instance, introducing system of circulating electroplating fluid as a supplement into the electroplating progress.

ii) Electricity Consumption

The total electricity consumption for the Reporting Year was approximately 12.62 TWh, which slightly increased by approximately 2.9% when compared with 2019. During the Reporting Year, our Jiangsu, Shandong and Thailand production plant have contributed to approximately 86.6%, 10.9% and 2.5% of our total electricity consumption respectively.

Electricity Consumption	**2020**	**2019**	**% change**
Electricity (TWh) (intensity)			
Jiangsu Xingda	**10.93**	**10.83**	**+0.9%**
	(0.0019)	(0.0018)	
Shandong Xingda	**1.37**	**1.40**	**-2.1%**
	(0.0017)	(0.0019)	
Thailand Xingda	**0.32**	**0.04**	**+680.5%**
	(0.00054)	(0.00015)	

Our electricity consumption intensity, which was presented as electricity consumption by our factories per employee, was approximately 0.0018 TWh per employee which slightly increased by 5.9%.

Our major power-saving measures include enhancement and application of high efficiency permanent magnet synchronous motors, improvement, and enhancement of water pumps of production lines and certain utilities to reduce power consumption, and to actively encourage the use of high efficiency LED energy-saving lighting equipment with automatic power adjustment in all departments.

Among which, Shandong Xingda completed the modification of solar street lamps during the year, reduced the power consumption by 4.0% per facility, and improved the operation efficiency of wet-drawing machine pulleys to conserve electricity.

Section A: Environmental – *CONTINUED*

Aspect A2: Use of Resources – *Continued*

ii) Electricity Consumption – Continued

Thailand Xingda has implemented a number of measures to reduce resources consumption, including adoption of solar energy, frequency conversion control and energy-saving transformation plan for motors and the use of underground ventilation system to improve the comfort level of the plant, and thereby reducing the electricity consumption for air conditioning.

We believe that our consistent efforts had successfully reduced the electricity consumption of plants.

iii) Fuel Consumption[15]

The Group enacts energy conservation plans for its business every year. In 2020, Jiangsu Xingda aimed to save 6,000 tonnes of standard coal. Through the joint efforts of all units including but not limited to technological transformation projects implementation, enhanced production efficiency and process improvement throughout the year, standard coal was saved up to approximately 13,003 tonnes for Jiangsu Xingda alone. The detailed fuel consumption of three business units were disclosed as follow:

Fuel Consumption	**2020**	**2019**	**% change**
Natural gas (million m³) (intensity)			
Jiangsu Xingda	**35.06**	**35.07**	**-0.03%**
	(0.0062)	(0.0057)	
Shandong Xingda	**6.00**	**5.71**	**+5.1%**
	(0.0073)	(0.0076)	
Thailand Xingda	**1.11**	**–**	**–**
	(0.0019)		

15 In this report, fuel consumption and packaging materials consumption were neglected in 2019 disclosure for Thailand Plant as the volume was negligible.

Section A: Environmental – *CONTINUED*

Aspect A2: Use of Resources – *Continued*

iii) Fuel Consumption – Continued

Fuel Consumption	2020	2019	% change
Diesel oil (tonnes) (intensity)			
Jiangsu Xingda	**432.75**	**302.00**	**+43.3%**
	(0.076)	(0.049)	
Shandong Xingda	**25.07**	**26.40**	**-5.0%**
	(0.03)	(0.035)	
Thailand Xingda	**5.06**	**–**	**–**
	(0.0084)		
Coal (tonnes) (intensity)			
Jiangsu Xingda	**149,989**	**172,000**	**-12.8%**
	(26.51)	(28.08)	

For utilizing fuel resources, both of the two production bases in Jiangsu and Shandong adopted waste heat recovery technology, with the aim to reduce the use of natural gas and coal; the usage of natural gas has slightly increased for Shandong plant as the unit has developed an additional production line for electroplating since the third quarter of 2020; while Thailand plant primarily rely on clean energy (natural gas) to improve equipment efficiency. It did not only save valuable resources, but also reduced emissions from the burning of these resources. Shandong Xingda also reduced the use of diesel forklift by switching to electric forklifts to transport goods weighing less than 1.5 tonnes in the workshop.

Our efforts in resource conservation were recognized by the Ministry of Ecology and Environment of the People's Republic of China. Among which, Jiangsu Xingda was rated as green enterprise, meaning that the corporation has committed to environment protection and did not involve in any environmental violations in the past two years. The Plant has also obtained the environmental management system certification from independent third-parties which served as an admission of outstanding performance in energy conservation and emission control.

Section A: Environmental – *CONTINUED*

Aspect A2: Use of Resources – *Continued*

iv) Water Consumption

Although about 70% of the Earth's surface is water, only around 3% of the total global water is freshwater, which can support all the living species in the world. The precious water resources are what the Group aims to save.

Since our production process is water intensive, hence we are committed to reducing our water consumption as much as possible. Our water consumption was approximately 1,997,632 tonnes during the Reporting Year. Our water consumption intensity was around 282.11 tonnes per employee during the Reporting Year (2019: 305.79 tonnes per employee). The water consumption for the three units during the Reporting Year are set forth as below:

Water Consumption	2020	2019	% change
Water (tonnes) (intensity)			
Jiangsu Xingda	**1,762,133** (311.44)	**1,940,000** (316.68)	**-9.2%**
Shandong Xingda	**190,185** (231.37)	**207,000** (274.90)	**-8.1%**
Thailand Xingda	**45,314** (75.40)	**40,000** (146.52)	**+13.3%**

For water consumption, Shandong Xingda recycled the treated domestic sewage for workshop toilets and greenery, and used the high-salinity concentrated water generated from the water purification process for circulating water replenishment. The recycle procedures helped saving 70 tonnes water per day. Thailand plant also made use of the local climate conditions with high rainfall, and installed a siphonic drainage system on the roof of the plant to collect and use the rainwater, so as to reduce the water consumption of the plant. Furthermore, we are committed to adopting the plan of recycling cooling water and improve water consumption efficiency and lower the consumption.

The Group recognizes that the success in energy saving and water saving depends on implementation throughout the Group at all levels, hence we have established a leading group for clean production, which served as the leading unit in saving energy and water. The leading group was responsible to formulate benchmarks for various resources, corresponding measures and plans. Implementation groups for clean production have also been set up respectively in each subsidiary and department. Such groups have served to formulate targeted energy saving plans according to the specific condition of different departments to ensure the goals set were achieved gradually. This comprehensive execution structure enabled thorough implementation of all environmental protection and resources policies.

With our water saving policies, our water consumption has dropped by approximately 8.6% when compared to the figure in the Year 2019.

Section A: Environmental – *CONTINUED*

Aspect A2: Use of Resources – *Continued*

v) *Packaging Materials*

The packaging materials used by the Group are mainly spools, partition plates, plastic pallets and carton box respectively, the consumption of packaging materials for the Reporting Year are shown as below:

Packaging Materials	**2020**	**2019**	**% change**
Spools (million units)			
Jiangsu Xingda	21.13	23.33	-9.4%
Shandong Xingda	–	2.84	-100.0%
Thailand Xingda	0.71	–	–
Partition plates (million pieces)			
Jiangsu Xingda	2.25	2.28	-1.3%
Shandong Xingda	–	0.25	-100.0%
Thailand Xingda	0.07	–	–
Plastic Pallets (million units)			
Jiangsu Xingda	0.44	0.44	0%
Shandong Xingda	–	0.07	-100.0%
Thailand Xingda	0.01	–	–
Carton box (million sets)			
Jiangsu Xingda	0.45	0.48	-6.3%
Shandong Xingda	0.06	0.07	-14.3%
Thailand Xingda	0.01	–	–

For packaging materials, recycling is our main strategy. Shandong Xingda has recycled and reused packaging materials including spools, partition plates and plastic pallets. As a result of the cancellation effect, there were no consumption for relevant packaging materials in 2020.

To drive towards energy-saving and water-saving goals, incentive and education measures are introduced to encourage employees to put forward innovative energy-saving ideas. The Group rewards participating employees with remarkable results in technological transformation and innovation projects. On top of that, the Group links energy-saving accomplishments with wages based on various performance indicators including electricity and natural gas. Energy-saving strategies are widely shared through internal platforms and information channels so as to raise employees' awareness on energy-saving practices and provide motivation to achieve energy-saving goals.

The Group also regularly reviews the effectiveness of various measures and completed relevant evaluation reports, striving for excellence and continuous improvement.

Section A: Environmental – *CONTINUED*

Aspect A3: The Environmental and Natural Resources

The Group believes that corporate development should not come at the expense of the environment. All the above measures contributed to the success we achieved today. Growing business without depleting natural resources can only be sustained when all parties, including suppliers, customers, and different stakeholders, work hand in hand towards the goal. We would continue to work harder reducing our adverse impact on the environment.

The Group has been in strict compliance with the relevant laws and regulations of China and Thailand, and has closely monitored various indicators of emission and use of resources, including monitoring the water quality of each plant throughout the whole process by installing online pH monitoring electric gates at each discharge port to ensure no wastewater was leaked.

In addition, we formulated projects for the promotion and transformation of the environmental protection facilities, as well as energy conservation policies for the company, which actively eliminated obsolete energy consuming equipment, replaced the equipment by the new advanced equipment and technology, improved energy efficiency and reduced emissions, such as by the multiple towers which treated exhaust gas in series, and strictly monitored the emission concentration of various gases to achieve ultra-low emissions. In addition, soundproof and acoustic materials were installed on the walls of each plant, with soundproof curtains at the entrance as well. At the same time, we regularly commissioned a third-party agency to conduct inspections to ensure that the sound volume met relevant standards, so as to reduce noise pollution to the environment.

In addition to formulating and implementing effective environmental policies, the Group also organized employees to participate in relevant training activities to enhance employees' awareness of environmental protection and resource conservation, ensuring that our philosophy and measures are implemented at different levels within the Group. Our efforts in environmental protection were universally recognized, and we have won the honor as a green enterprise under environmental protection credit level evaluation awarded by the Department of Ecology and Environment of Jiangsu Province and obtained the environmental management system certification.

In 2020, none of our operations at each location had caused significant impacts on the environment and natural resources. We will continue our efforts to maintain long-term sustainability by ensuring all indicators are in strict compliance with national regulations and standards.

Section B: Social

Aspect B1: Employment

Employees are of top priority to the Group as the most valuable assets, building a long-term amicable employment relationship with our employees is always the goal pursued by the Group. To build engaging working culture, we listen and value our employees' opinions, promote work-life balance with a wide range of recreation facilities and activities, and offer impressive employee benefits and welfares including but not limited to medical insurance and subsidies to underprivileged employees. The Group understands a well-developed learning and development mechanism also plays a significant role in retaining top talents. Therefore, the Group regularly organizes trainings and competitions to ensure employees' competitiveness and develop necessary skill sets and capabilities which allow them to out-perform their tasks.

To seek mutual interests for both, we wish to grow with our employees for the future success of the Group. During the Reporting Year, there was no labor dispute cases reported by the Group.

i) Employment Management

The Group always adheres to the principle of employment in accordance with national and local labor laws and regulations in regions we operate, such laws include Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, and the Labor Protection Act (1998) of Thailand.

The Group realizes the importance of enhancing employment management system so as to protect employee's legal rights. The Group has formulated several comprehensive internal policies related to salary, recruitment, termination, and promotion, working hours, holidays, so on and other benefits and perks.

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

Section B: Social – *CONTINUED*

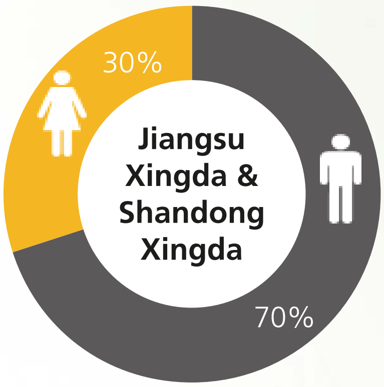
Aspect B1: Employment – *Continued*

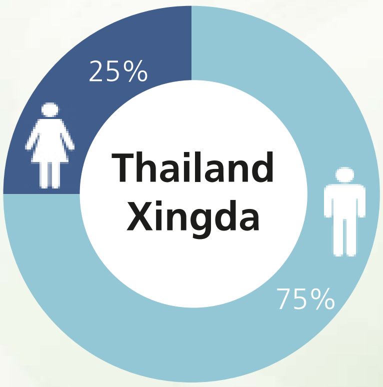
ii) *Diversity, Equal Opportunities and Anti-Discrimination*

As an equal opportunity employer, the Group aims to provide a diverse, safe, inclusive, and anti-discriminatory work environment for employees from all backgrounds. We recruit talents based on experience, expertise, and values, regardless of race, colour, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age, or sexual orientation.

To promote equality, the Group implements policy of equal pay for equal work to protect all employees from gender discrimination. In order to take care of the physical needs of female employees, we strictly comply with the legal requirements to grant maternity leave to female employees, arrange leaves and rests according to their needs during pregnancy, breast-feeding period, and menstruation period, and also make appropriate adjustments to their job positions.

As at 31 December 2020, we had a total number of 5,658, 822 and 601 employees of various nationalities in Jiangsu, Shandong, and Thailand Plant. Our employees' male-to-female ratio was approximately 7:3 for Jiangsu Xingda, and Shandong Xingda, which is relatively the same as last year's ratio of 7:3; and 7.5:2.5 for Thailand Xingda, compared to last year's 8.5:1.5 accordingly. We strive to cultivate a harmonious work environment for our employees and eliminate any forms of discrimination within the workplace.





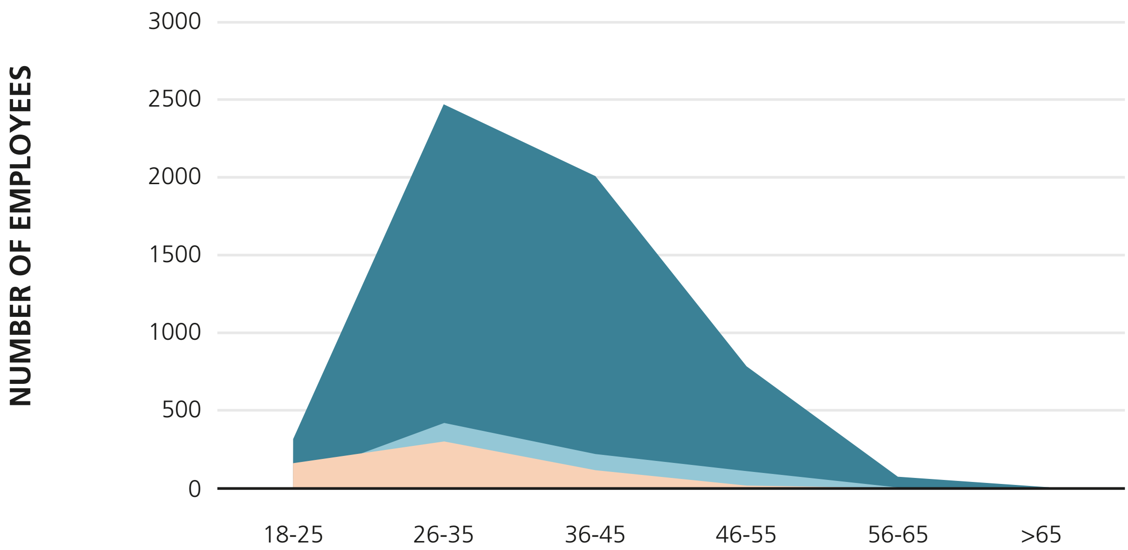
Guided by the non-discrimination principle, we offer same opportunities to all employees regardless of their age. The bell-shaped age distribution table demonstrates our healthy hierarchy structure.

Section B: Social – *CONTINUED*

Aspect B1: Employment – *Continued*

ii) Diversity, Equal Opportunities and Anti-Discrimination – Continued

FY2020 Employee Age Distribution



	18-25	26-35	36-45	46-55	56-65	>65
Jiangsu Xingda	321	2,477	2,001	782	71	6
Shandong Xingda	63	421	221	111	6	0
Thailand Xingda	162	302	117	18	2	0

By job level	Middle & Senior Management	Technicians	Grassroots Management	Assistants and Operating Staff
Jiangsu Xingda	**96**	**30**	**169**	**5,363**
(Percentage)	(1.7%)	(0.5%)	(3.0%)	(94.8%)
Shandong Xingda	**8**	**22**	**23**	**769**
(Percentage)	(1.0%)	(2.7%)	(2.8%)	(93.5%)
Thailand Xingda	**11**	**15**	**29**	**546**
(Percentage)	(1.8%)	(2.5%)	(4.8%)	(90.9%)

Section B: Social – *CONTINUED*

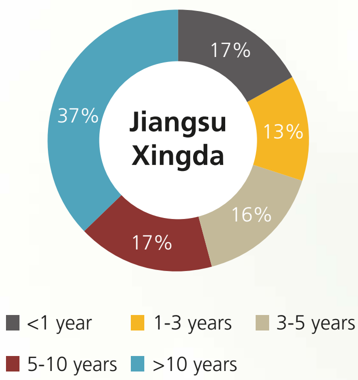
Aspect B1: Employment – *Continued*

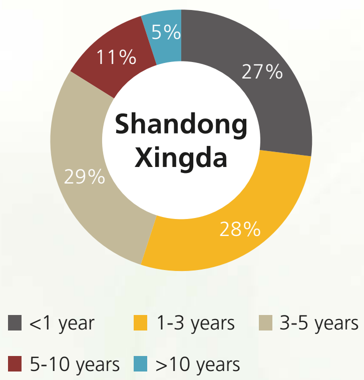
ii) Diversity, Equal Opportunities and Anti-Discrimination – Continued

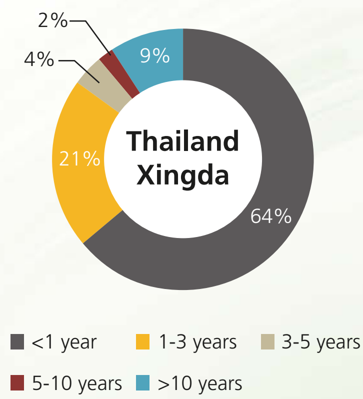
2020 Monthly Turnover Rate

Jiangsu Xingda	**Shandong Xingda**	**Thailand Xingda**
1.9%	**3.2%**	**3.5%**
1.8%	2.0%	7.2%
vs previous year	vs previous year	vs previous year

The employee monthly turnover rate in 2020 was approximately 1.9%, compared to 1.8% in 2019 for Jiangsu Xingda; 3.2% in 2020, compared to 2.0% in 2019 for Shandong plant; 3.5% in 2020, compared to 7.2% in 2019 for Thailand plant. Among the three units, the overall turnover rate is remained in a low percentage of 2.2%, and the below charts show that approximately 70.1%, 44.3% and 14.6% of employees in Jiangsu Xingda, Shandong Xingda, and Thailand Xingda have stayed in the Company for over three years, meaning that the Group has adopted effective policies to retain employees.







iii) Employee Benefits

The Group has implemented comprehensive and attractive employee benefit package to motivate our workers and hence increase the overall productivity as well as to boost employees' sense of belongings and engagement within the Group.

First and foremost, for Jiangsu and Shandong factories, our employees are under coverage of pension, medical care (including maternity), work-related injuries, group insurance and unemployment insurance in accordance with national regulations. Employees in the Mainland China are compensated for accidents arising outside working hours. We have also granted additional protection for our people by providing commercial insurance for welfare security.

Section B: Social – *CONTINUED*

Aspect B1: Employment – *Continued*

iii) Employee Benefits – Continued

Aside from that, Jiangsu Xingda attaches great importance to caring for its employees and arrange free occupational health body checks annually for personnel engaging in works exposing to occupational disease hazards to ensure their health conditions and receive proper treatment upon discovery of health issues. The unit also provides accommodation with adequate facilities for single and married staff and gives monthly meal allowance as employee benefits and perks.

As for plant workers in Thailand, we formulated labor contracts, established corresponding remuneration, benefit and promotion systems and paid social insurance and personal income tax for the employees in accordance with the labor laws and regulations of the Thai government. Thailand plant has also purchased work-related injuries insurance for its workers, employees will be compensated based on the basic salary of the staff with relevant medical proof. For Chinese employees who are dispatched to the factory in Thailand, we have applied work visas to ensure the work eligibility for foreigners in Thailand.

Apart from salary benefits, Xingda Labour Union also offer special care and benefits to our people. The Group put forward various schemes to support disadvantaged employees. For example, we provide subsidies for rental and housing expenses to employees with economic difficulties.

iv) Openness and Acceptance

The Group also places great emphasis on employees' opinions and encourages equal dialogue among employees at all ranks through various channels, including the Company's intranet, emails, pre-duty meetings, seminars, regular interviews and so on. The units also make good use of proposal conferences and other gatherings, meetings, and events to promote interaction and communication between the management and the employees from basic level.

On the other hand, we set up information bulletin board and published the Xingda Newspaper which allows our employees to keep up to date on our latest news. On the other hand, employees' opinions are valuable for the Group's success. Therefore, we place an opinion collection box for General Manager and a letter box for employee's complaints. Opinion surveys are regularly carried out to gather comments from our employees and reflect our employees' overall job satisfaction.

Apart from the channels as aforementioned, employees can directly express their opinions to the Management in the form of short messages through the WeChat official account "Xingda Shares". To encourage share of opinions, complaints lodged through the opinion boxes and mailing letters are verified and dealt with by special personnel.

Section B: Social – *CONTINUED*

Aspect B1: Employment – *Continued*

iv) *Openness and Acceptance – Continued*

The plant in Thailand has also set up a welfare committee, which meets at least quarterly to provide a regular communication platform for employers' and employees' representatives to discuss matters related to employee benefits on a timely basis. Employees can also submit questions or suggestions through the suggestion box located in the plant at any time. The Plant Supervisor reviews the questions or suggestions and arrange interview with relevant employees to discuss possible ways to tackle the issues. In addition, the plant in Thailand produced a manual for Chinese-Thai interpreting, and arranged local management personnel to receive training in Thai language to reduce language barriers between Chinese and Thai employees as well as to ensure effective communication between front-line employees and supervisors. The relevant person-in-charge of the Thailand plant also keeps close contact with the management of the Group to ensure that the relevant information channels are always open.

The Group advocates management to put themselves in employees' position, think from the perspective of employees, understand the work and life needs of employees, and actively and promptly solve various problems raised by employees from the practical perspective. The Group has strong conviction that exchange of opinions through the above channels increased transparency, openness, and acceptance of ideas, which allows the Management to better manage employees' concerns and take corresponding countermeasures to tackle existing issues, and the Group believes, together with our people, we are able to sort out the best resolutions to create a pleasant working environment.

v) *Caring Our People*

We appreciate our employee's hard work and their contribution to the Group. Our success all comes to the full dedication and devotion of our employees. Other than salary and compensation benefits, the Group would like to spread happiness through organizing various activities, such as "Creating Employment in Spring", "Cooling in Summer", "Giving out Mooncakes in Mid-Autumn Festival" and "Giving out Big Gifts before the Chinese New Year", to show our gratitude for their effort.

The Group also concerns about employees' physical and mental health. We attach great importance to the work-life balance of our employees and provide them with a wide range of recreational facilities and activities to enhance their cultural accomplishment. Among which, the Jiangsu plant has a large fitness room that can accommodate 60 people at the same time as well as a basketball court, badminton hall, table tennis hall, swimming pool and so on.

Section B: Social – *CONTINUED*

Aspect B2: Health and Safety

i) *Safety Policies*

The Group attaches great importance to the safety and health of its employees and strictly complies with national and local relevant laws and regulations where the plants are located, including Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Occupational Safety, Health and Environment Act of Thailand applicable to the plant in Thailand, and other regulations. We have also formulated a number of related policies to protect our employees' occupational safety, including the Safety Production Responsibility System, Safety Production Five Simultaneous Management System, Fire Control Management System, Occupational Disease Prevention Management System, Labor Protective Equipment Management System, Safety Protection Equipment and Facilities Management System, Regulations of Occupational Health, Safety and Environment for Thailand Xingda implemented in the plant in Thailand and so on.

In order to effectively monitor and implement the Group's occupational safety policies and measures, we set up safety production teams in the plants in Jiangsu and Shandong to implement the requirements of national policies and other relevant requirements regarding safe production.

ii) *Safety Committee and Facilities Maintenance*

We also carried out various safety measures in a systematic manner through management systems, such as occupational health and safety promotion management system, standardization of safe production and double-prevention mechanism for enterprises. The Emergency Management Department of Jiangsu Xingda and the Safety and Environmental Protection Office of Shandong Xingda are responsible to handle safety affairs and carry out environment examination on machineries. Each department will arrange self-inspection while the Equipment Department sends specialists to perform repair and maintenance work on a regular basis to ensure facilities are of good and safe condition.

For Thailand Xingda, the plant has organized a safety committee which is responsible for building comprehensive occupational health, safety and environment system, as well as supervising daily safety inspections, such as organizing work safety-related activities, conduct data analysis on work safety issues, and reporting and exchange of legal provisions and improvement suggestions in accordance with occupational health and safety.

Section B: Social – *CONTINUED*

Aspect B2: Health and Safety – *Continued*

iii) *General Safety Measures*

Each production base has implemented various safety measures, such as installing dust removal and demisting equipment including suspended hood and purification towers in the operation sites, and adding lighting and ventilation design on the roof of the plants to enhance the lighting and ventilation effect in the plants, which effectively control the concentration of dust and hazardous substances, so that fulfillment of relevant safety standards was ensured. Besides, the Group ensures the workplace is free from dangerous condition, such as removing spilled liquids and debris. Regarding high-risk job positions and locations, we regularly monitored the concentration of harmful substances, and arranged body check for relevant employees.

A detailed escape route and layout of the office were posted in the noticeable area to prepare employees for the emergency. Our office is also well equipped with adequate fire-fighting equipment in case of fire. The Group also conducts regular fire inspection to prevent blockage of escape route and ensures equipment in perfect condition. All the above facilities and measures are in place to mitigate the risk of hazardous disaster.

We understand that the key to safeguarding production safety is to keep employees alert at all times. Therefore, occupational hazard notice boards are placed at the workshops to remind employees to be aware of danger and take preventive measures. Safety warning signs and emergency evacuation maps are posted in the key spots of the operation sites. Sets of standard operational procedures at construction sites are formulated to educate employees about the risk factors of their respective positions.

In addition, we have distributed personal protective equipment to our employees as required for their positions, including dust masks, earplugs, safety glasses, safety shoes and waist supports, which are supervised by relevant on-site personnel for proper use. The plants are equipped with emergency kits, emergency lighting, firefighting equipment and other relevant tools.

In addition, the three business units are well-equipped with emergency kits, lighting, firefighting and other relevant tools. Aside from that, the Group also provides personal gears including dust masks, earplugs, safety glasses, safety shoes and waist support as per job requirement to better protect our employees and minimize the number of accidents arising from work injury.

In the view of COVID-19 pandemic, the Group pays extra attention in creating a safe and healthy environment for its employees. Alcoholic sanitizers were placed in the offices for employee's use, and the workplace were cleaned and sterilized at regular intervals. Surgical masks were distributed to employees and it is required to put on the mask whenever entering into the factory area in order to prevent germs dispersion, and body temperature was recorded for all employees every day.

During the Reporting Year, there were a total of 17 reported cases of work injuries with a total of 1,322 labor hours lost. We will continue to work on facilities enhancement to ensure employees' safety at work.

Section B: Social – *CONTINUED*

Aspect B3: Development and Training

Career development is fundamental for personal and company's growth. Hence, the Group reviews employees' performance regularly, identify areas of improvement, and offer effective training courses to our employees to develop relevant skills sets which allow them excel in their tasks and grow together with the Company.

i) Identification of competency requirements and training needs

In order to assess the employees' performance and encourage their continuous development, the Group has formulated Performance Management Manual, Xingda Performance Assessment Management Measures, and other relevant systems, and has established successor training programs to perform qualification screening and performance assessment on second-line personnel at irregular intervals, sort out the relevant knowledge, skills and abilities that employees required according to the job nature and the competency requirements of the positions, organize and formulate targeted and systematic learning programs, and carry out successor training work for second-line personnel.

Shandong Xingda has also formulated career planning tables for university graduates and outstanding employees from time to time to understand the intentions and needs of their personal development, and actively cooperate with the implementation of the career planning of outstanding employees, so as to strengthen the talent reserve for business development.

ii) Training Guidelines and Materials

The Group formulated the Training Procedures Document for staff training, as well as relevant materials such as Xingda Staff Training Management System and Human Resources Center Training Management Manual. With regards to overall planning, Jiangsu Xingda was under the responsibility of Xingda Institute. In 2020, Jiangsu Xingda collaborated with various educational institutions, including Shanghai Jiao Tong University, to offer high-level courses to employees with the aim to strengthen employees' job knowledge and unleash their capabilities; whereas the training programs of Shangdong Xingda and Thailand Xingda were developed by the relevant Human Resources Department. Some of the textbooks were provided by Xingda Institute, and the training mediums and methods were also referred to Xingda Institute.

iii) Diversified Training Methods

The Group offers training to its employees through various means, including but not limited to online tutorial, practical operations, experimental courses, theoretical teaching and case studies etc. The Group believes that our employees are able to absorb and develop in-depth knowledge on the training topics by utilizing the aforementioned tools.

Section B: Social – *CONTINUED*

Aspect B3: Development and Training – *Continued*

iv) Training Program

In 2020, we organized a number of internal and external trainings in different plants, covering courses like management, safety production, quality standard, and various technical operations, details as shown below:

Plant	Training Course Coverage
Jiangsu Xingda	• Safety education • Technology research and development • Standard Operation Procedure ("SOP") training • Quality assurance • VDA 6.3 process audit and VDA 6.5 product audit • Intellectual property right training
Shandong Xingda	• Internal management system training • Control measures on disqualified products • Experimental courses on hydraulic transmission
Thailand Xingda	• Orientation training • Safety education • Process and operations • Management systems • Mechanical training and fire safety drills

In 2020, the average training hours provided to our employees in Jiangsu Xingda's was approximately to 24.36 hours per person (2019: 30.57 hours per person); exceeding the annual target of 20 hours per person; Shandong Xingda's training hour was 38.35 hours per person (2019: 21.84 hours per person); and Thailand Xingda's training hour was 23.25 hours per person (2019: 24.60 hours per person). With the series of trainings have improved the skills and attitudes of employees at all levels, enhanced the quality and efficiency of work, and ensured that special position personnel have the necessary qualifications and knowledge to meet the needs of the Company's business development.

Section B: Social – *CONTINUED*

Aspect B3: Development and Training – *Continued*

v) Training of Key Talents

In addition, we arranged external trainings for middle and senior management, special position personnel, and key position personnel, among which Xingda Institute organized a total of 16 external trainings and other internal trainings held by external parties in 2020, covering management, occupational safety, and technology, etc. The training hours received per employment level are set forth as below:

Average training hours completed per employee by job levels

By job level	Jiangsu Xingda	Shandong Xingda	Thailand Xingda
Middle and Senior Management	116	38	17
Technicians	48	38	17
Grassroots Management	54	38	31
Assistants and Operating Staff	21	38	23

vi) Performance Evaluation

Trained employees would be assessed after the training for the review of training effect and training improvement, relevant assessment and training performance would be pegged to job promotion and compensation.

Aspect B4: Labour Standards

The Group strictly complies with the national and local laws on labor standards in China and Thailand and has formulated internal policies and regulations such as the Company Recruitment Management System, Prohibition of Child Labor Management Measures, Prohibition of Forced Labor Management Measures and Policy, Management Regulations on Anti-Discrimination, Anti-Harassment, and Anti-Abuse, Employee Handbook, in order to strictly monitor and prevent the emergence of child labor and forced labor. In 2020, there were no child labor and forced labor among the three production bases.

To avoid hiring of child labor, the hiring staff will strictly verify the employee's identity documents upon commencement date of employment in order to ensure all employees are at least 18 years of age.

In regard to forced labor, we conduct investigations at various subsidiaries from time to time and encourage employees to voluntarily report any suspicious forced labor through channels such as democratic life meetings and the benefit committee. Once the problem of child labor or forced labor is discovered, we have also established a comprehensive follow-up system to safeguard the right of the parties to receive compulsory education and support the harmed workers and make corrective actions for the aftermath.

Section B: Social – *CONTINUED*

Aspect B5: Supply Chain Management

Despite monitoring internal organizational structure, the Group also extend its human rights commitment to its supply chain. During the Reporting Year, the Group has collaborated with 432 vendors in the Mainland China and Overseas.

The Group has established the Code of Conduct for Suppliers which is applicable to all suppliers, to ensure the suppliers are in line with our values in terms of their conducts in ethics, labor and human rights, safety and environment, management system and sustainable development. Among which, the code requires suppliers to comply with all applicable health, safety and environmental regulations, provide training to management and relevant employees on the content of the code and applicable laws and regulations, and provide appropriate monitoring measures, safety work procedures and personal protective equipment, etc, to reduce health and safety risks in the workplace.

In addition, during the supplier selection process, we have set high standards and several assessment criteria, in terms of business ethics (such as respect for intellectual property rights), prohibition of child labor and implementation of anti-discrimination policies, workplace health and safety measures (such as the sufficiency of fire extinguishers, automatic fire extinguishing systems and safety exits), environmental management measures such as emission control and use of new energy, and whether a sustainable development plan has been formulated, etc. Suppliers of Group have been strictly reviewed and screened, so that their business does not pose any risk to the environment and society.

Aspect B6: Product Responsibility

All our products comply with the requirements stipulated in the relevant laws in the regions we operated, while its effective management system has also passed the IATF 16949 quality system certification. We have established a documented quality control system in accordance with the latest IATF 16949 standard and a strict product liability policy, under which the quality center monitors health safety of our products, implements product safety training for responsible personnel, and execute the labeling standards in accordance with Management System of Identification and Traceability.

Among which, the Group developed a monitoring plan for each production procedure, which specifies the inspection items, frequency, methods and responsible personnel for the process parameters, process products and end products, and a guidebook for inspection work is prepared for each project. All the measuring tools used in product testing are regularly examined and calibrated in the measurement room by the examination and determination organization entrusted by us.

Section B: Social – *CONTINUED*

Aspect B6: Product Responsibility – *Continued*

i) Compliant Channel

We pledge to bring optimized products and services to maximize customers value and drive customer experience. We are willing to accept clients' opinions and feedback, and we promised to do our best to serve our customers and make continuous advancement on product quality. Throughout the Reporting Year, we received on average 2.83 cases of complaints and enquiries per month.

Feedbacks received from customers were handled by the Market Service Department by communicating with the customers, while further referral will be made to quality, technology, manufacturing, and other relevant departments to adequately fulfill our commitment to quality. The improved products will be verified by the customers under the arrangement by technical service personnel if necessary. If the same issue does not appear after the customer has used two batches of the improved products and as confirmed again by the quality center and technical service department, the relevant quality issue is considered as resolved to ensure that the needs of our customers are met comprehensively. We are glad to announce that, during the Reporting Year, there was no major dispute regarding product quality.

ii) Protecting Intellectual Property Rights

In addition, the Intellectual Property Rights Management Department has formulated strict policies guarding for privacy security, such as the Employee Confidentiality Regulations and Information Management System; whereas the intellectual product management department comprehensively protects and manages intellectual property rights in accordance with the Intellectual Property Rights Management Policy.

Aspect B7: Anti-corruption

Our Group has zero tolerance of anti-corruption and bribery. We commit to create an environment with fair competition, honesty, openness, and transparency. Since its establishment, the Group has strictly complied with the relevant laws and regulations, including the Criminal Law of the People's Republic of China and Anti-Unfair Competition Law of the People's Republic of China. We formulated internal systems such as the Employee Handbook of Business Ethics and Employee Handbook, and strictly prohibited all employees of the Company from engaging in activities including corruption, misappropriation, theft of the Company's fund or trade secret infringement.

The Group has also set up the initiative interest declaration mechanism for employees, and ensured that employees fully understand our anti-corruption policy. In this regard, the Group ensures employees possess full understanding on our anti-corruption policies through signing the Employee Handbook with related rules and regulations, as well as raising awareness of anti-corruption through holding various monthly publicity meetings.

Section B: Social – *CONTINUED*

Aspect B7: Anti-corruption – *CONTINUED*

i) *Whistleblowing Policy and Communication Channel*

Whistleblowing policy is in place for employees to report suspected misconduct of their colleagues, subordinates, senior management or even suppliers. Xingda has set up an independent audit department to avoid employees from engaging illegal activities through internal control system, such as the system discipline inspection department of the CPC Committee and the assessment office of Human Resources Center. Employees are welcomed to report any corruption directly to the Audit Committee. The Group is contented to announce, there was no criminal sanctions due to violation of Criminal Law of the People's Republic of China or the relevant regulations in Thailand, and no corruption reports are received in 2020.

Aspect B8: Community Investment

We realize that we can make a huge impact on the world's social, environmental, and economic issues. Xingda attaches great significance to caring for deprived groups and actively engage its employees to participate in various community services, so as to expressing care and giving back to the community. In 2020, we arranged visits to the nursing home for our employees and helped the single elder people there. We also organized voluntary blood donation activities for employees to support the local healthcare industry.

Aside from that, the Group maintains close relationships with the community responsible personnel across the regions we operate in China and Thailand. We regularly meet and understands the major concerns and demands of the local people. We try to offer benefits to the community while operating our business. For instance, we give priority to job-seekers from poor household and create employment opportunities with the aim of helping people in need on making a living.

Moving forward, we will continue to invest more resources and engage more employees in community investment. By doing so, the Group hopes to cultivate a harmonious culture and encourage its employees to serve the community, while promoting corporate social responsibility and making positive contribution to the society.

ENVIRONMENTAL DATA

Emissions Indicators	Year ended 31 December 2020 Jiangsu Xingda	Year ended 31 December 2020 Shandong Xingda	Year ended 31 December 2020 Thailand Xingda	Year ended 31 December 2019 Jiangsu Xingda	Year ended 31 December 2019 Shandong Xingda	Year ended 31 December 2019 Thailand Xingda
A1: Emissions						
Total air emissions (tonnes)	**64.13**	**5.32**	**0.74**	66.06	6.03	N/A
Total air emission intensity (tonnes per employee)	**0.011**	**0.0065**	**0.0012**	0.011	0.0080	N/A
Nitrogen Oxides (tonnes)	**33.58**	**2.78**	**0.45**	32.91	2.28	N/A
Sulphur Oxides (tonnes)	**22.71**	**0.73**	**0.081**	27.16	1.16	N/A
Respiratory Suspended Particles (tonnes)	**–**	**0.00039**	**0.0083**	N/A	N/A	N/A
Hydrogen Chloride (tonnes)	**6.64**	**1.37**	**0.0048**	4.50	2.06	N/A
Soot (tonnes)	**1.20**	**0.44**	**0.20**	1.49	0.53	N/A
Greenhouse Gas Emissions						
Total greenhouse gas emissions (tonnes)	**1,265,956.57**	**143,081.28**	**14,803.70**	1,117,717.00	129,577.00	3,208.00
Greenhouse gas emission intensity (tonnes per employee)	**223.75**	**174.06**	**24.63**	182.45	172.08	11.75
Direct emission from stationery combustion sources (tonnes)	**518,484.26**	**13,080.87**	**2,433.52**	N/A	N/A	N/A
Direct emission from mobile combustion sources (tonnes)	**–**	**1.58**	**22.03**	N/A	N/A	N/A
Indirect emissions from electricity consumption (tonnes)	**746,693.87**	**129,367.77**	**12,315.90**	N/A	N/A	N/A
Other indirect emissions (tonnes)	**778.44**	**631.06**	**32.25**	N/A	N/A	N/A
Sewage produced						
COD (tonnes)	**53.54**	**2.51**	**0.94**	47.00	3.49	N/A
Ammonia Nitrogen (tonnes)	**0.77**	**0.14**	**–**	0.42	0.08	N/A
Hazardous waste produced						
Finish sludge (tonnes)	**10,348.40**	**663.66**	**184.94**	9,233.00	709.00	N/A
Hydrochloric acid (tonnes)	**9,596.00**	**–**	**390.00**	9,005.00	N/A	N/A
Waste Engine oil (tonnes)	**5.30**	**1.89**	**0.51**	25.47	0.78	N/A
Waste lead storage battery (tonnes)	**33.56**	**7.97**	**–**	43.78	5.96	N/A

ENVIRONMENTAL DATA – *CONTINUED*

	Year ended 31 December 2020			Year ended 31 December 2019		
Emissions Indicators	**Jiangsu Xingda**	**Shandong Xingda**	**Thailand Xingda**	Jiangsu Xingda	Shandong Xingda	Thailand Xingda
Non-hazardous waste produced						
Packaging materials (tonnes)	**3,092.00**	**239.81**	**45.00**	3,000.00	215.55	N/A
Cords (tonnes)	**5,668.00**	**1,284.29**	**288.62**	5,501.00	1,300.00	N/A
A2: Use of Resources						
Electricity consumption						
Total electricity consumption (TWh)	**10.93**	**1.37**	**0.32**	10.83	1.40	0.04
Electricity consumption intensity (TWh per employee)	**0.0019**	**0.0017**	**0.00054**	0.0018	0.0019	0.00015
Water Consumption						
Total water consumption (tonnes)	**1,762,133**	**190,185**	**45,314**	1,940,000	207,000	40,000
Water consumption intensity (tonnes per employee)	**311.44**	**231.37**	**75.40**	316.68	274.90	146.52
Fuel Consumption						
Total natural gas consumption (million m^3)	**35.06**	**6.00**	**1.11**	35.07	5.71	N/A
Natural gas consumption intensity (million m^3 per employee)	**0.0062**	**0.0073**	**0.0019**	0.0057	0.0076	N/A
Total diesel oil consumption (tonnes)	**432.75**	**25.07**	**5.06**	302.00	26.40	N/A
Diesel oil consumption intensity (tonnes per employee)	**0.076**	**0.03**	**0.0084**	0.049	0.035	N/A
Total coal consumption (tonnes)	**149,989**	**–**	**–**	172,000	–	–
Coal consumption intensity (tonnes per employee)	**26.51**	**–**	**–**	28.08	–	–
Packaging Materials						
Spools (million units)	**21.13**	**–**	**0.71**	23.33	2.84	N/A
Partition plates (million pieces)	**2.25**	**–**	**0.07**	2.28	0.25	N/A
Plastic Pallets (million units)	**0.44**	**–**	**0.01**	0.44	0.07	N/A
Carton box (million sets)	**0.45**	**0.06**	**0.01**	0.48	0.07	N/A

SOCIAL DATA

Employment Indicators	Year ended 31 December 2020 Jiangsu Xingda	Year ended 31 December 2020 Shandong Xingda	Year ended 31 December 2020 Thailand Xingda	Year ended 31 December 2019 Jiangsu Xingda	Year ended 31 December 2019 Shandong Xingda	Year ended 31 December 2019 Thailand Xingda
B1: Employment						
Total number of employees	**5,658**	**822**	**601**	6,126	753	273
Number of employees by gender						
Male	**3,864**	**582**	**449**	–	–	–
Female	**1,794**	**240**	**152**	–	–	–
Number of employees by age						
<18	**0**	**0**	**0**	–	–	–
18-25	**321**	**63**	**162**	–	–	–
26-35	**2,477**	**421**	**302**	–	–	–
36-45	**2,001**	**221**	**117**	–	–	–
46-55	**782**	**111**	**18**	–	–	–
56-65	**71**	**6**	**2**	–	–	–
>65	**6**	**0**	**0**	–	–	–
Number of employees by job level						
Middle management & senior management	**96**	**8**	**11**	158	9	24
Technicians	**30**	**22**	**15**	188	134	–
Grassroots management	**169**	**23**	**29**	212	30	–
Assistants and operating staff	**5,363**	**769**	**546**	5,568	580	249
Employment by job level (percentage)						
Middle management & senior management	**1.7%**	**1.0%**	**1.8%**	2.6%	1.2%	8.8%
Technicians	**0.5%**	**2.7%**	**2.5%**	3.1%	17.8%	–
Grassroots management	**3.0%**	**2.8%**	**4.8%**	3.5%	4.0%	–
Assistants and operating staff	**94.8%**	**93.5%**	**90.9%**	90.8%	77.0%	91.2%
Employment turnover						
Total number of employee turnover	**1,436**	**301**	**193**	1,294	181	237
% of employee turnover (monthly average)	**1.9%**	**3.2%**	**3.5%**	1.8%	2.0%	7.2%

SOCIAL DATA – *CONTINUED*

	Year ended 31 December 2020			Year ended 31 December 2019		
Employment Indicators	**Jiangsu Xingda**	**Shandong Xingda**	**Thailand Xingda**	Jiangsu Xingda	Shandong Xingda	Thailand Xingda
B2: Health and Safety Indicators						
Number of reported injuries	**7**	**9**	**1**	N/A	N/A	N/A
Number of lost hours	**640**	**322**	**360**	N/A	N/A	N/A
B3: Development and Training Indicators						
Total number of hours of staff training	**136,004**	**43,071**	**12,297**	187,272	15,813	6,715
Average training hours per employee	**24.36**	**38.35**	**23.25**	30.57	21.84	24.60
Average training hours by job level						
Middle and senior Management (hours)	**116**	**38**	**17**	N/A	N/A	N/A
Technicians (hours)	**48**	**38**	**17**	N/A	N/A	N/A
Grassroots management (hours)	**54**	**38**	**31**	N/A	N/A	N/A
Assistants and operating staff (hours)	**21**	**38**	**23**	N/A	N/A	N/A
Percentage of employees received training by job level						
Middle and senior management	**77.05%**	**100.0%**	**54.6%**	N/A	N/A	N/A
Technicians	**100.0%**	**100.0%**	**6.7%**	N/A	N/A	N/A
Grassroots management	**100.0%**	**100.0%**	**96.6%**	N/A	N/A	N/A
Assistants and operating staff	**100.0%**	**100.0%**	**90.5%**	N/A	N/A	N/A
B5: Supply Chain Management						
Total number of suppliers did business in the Reporting Year	**270**	**148**	**14**	N/A	N/A	N/A
The PRC	**267**	**148**	**8**	N/A	N/A	N/A
Overseas	**3**	**–**	**6**	N/A	N/A	N/A

SOCIAL DATA – *CONTINUED*

Employment Indicators	Year ended 31 December 2020 Jiangsu Xingda	 Shandong Xingda	 Thailand Xingda	Year ended 31 December 2019 Jiangsu Xingda	 Shandong Xingda	 Thailand Xingda
B6: Product Responsibility						
Total number of complaints received	**32**	**2**	**–**	58	N/A	N/A
B7: Anti-corruption						
Number of conducted legal cases regarding corruption	**–**	**–**	**–**	N/A	N/A	N/A
B8: Community Investment						
Corporate charitable donation (equivalent amount in RMB)	**–**	**–**	**12,665**	N/A	N/A	N/A
Number of employee volunteers	**–**	**–**	**17**	N/A	N/A	N/A
Total number of service hours	**–**	**–**	**8 hours**	N/A	N/A	N/A

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 98 to 202, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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
Revenue recognition from contracts with customers	
As disclosed in note 6 to the consolidated financial statements, the Group recognised revenue from contracts with customers amounted to RMB7,679,907,000 for the year ended 31 December 2020. The Group sells tire cords and wires to domestic and overseas customers and revenue is recognised when the control of the goods is transferred to the customers. This normally means when a product has been delivered to the customer in accordance with agreed delivery terms. During the finalization of the consolidated financial statements of the Group for the year ended 31 December 2020, the management has carried out a reassessment and identified certain adjustments in the consolidated financial statements of prior years. The effect of the prior year adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 is being disclosed in note 3.1. The risk for revenue being recognised in an incorrect accounting period presents a key audit matter due to the financial significance of revenue in the consolidated financial statements and various types of goods delivery terms involved in overseas sales.	Our audit procedures in relation to revenue recognition from contracts with customers included: • Understanding the business process of revenue recognition from contracts with customers; • Reviewing the terms of sales contracts, on a sample basis, to assess if the revenue recognition policy applied by the Group is in compliance with IFRS 15 *Revenue from Contracts with Customers*; • Obtaining confirmations from the major customers, on a sample basis, for the amount of sales of goods during the year; • 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 logistics information, bills of lading and other documents, to assess whether the sales transactions are recorded in the correct accounting periods; and • Performing analytical procedures to assess the reasonableness of revenue recognised during the year.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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 David Leung Ho Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2020

	NOTES	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000 (Restated)
Revenue	6	**7,679,907**	7,581,625
Cost of sales		**(6,151,399)**	(6,117,657)
Gross profit		**1,528,508**	1,463,968
Other income	7	**159,225**	126,422
Government grants	8	**18,400**	13,731
Distribution and selling expenses		**(564,742)**	(544,248)
Administrative expenses		**(563,280)**	(382,226)
Other gains and losses, net	9	**(51,576)**	31,285
Impairment loss recognised under expected credit loss model, net of reversal		**7,351**	(25,343)
Research and development expenditure		**(108,485)**	(107,097)
Finance costs	10	**(80,961)**	(40,709)
Profit before tax		**344,440**	535,783
Income tax expense	11	**(168,992)**	(129,258)
Profit for the year	12	**175,448**	406,525
Other comprehensive (expense) income			
item that can be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(49,203)**	40,013
Total comprehensive income for the year		**126,245**	446,538
Profit for the year attributable to:			
Owners of the Company		**114,996**	285,798
Non-controlling interests		**60,452**	120,727
		175,448	406,525
Total comprehensive income for the year attributable to:			
Owners of the company		**68,628**	325,811
Non-controlling interests		**57,617**	120,727
		126,245	446,538
Earnings per share	15		
Basic (RMB cents)		**7.39**	18.89
Diluted (RMB cents)		**7.35**	18.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	31/12/2020 RMB'000	31/12/2019 RMB'000 (Restated)	1/1/2019 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	**4,543,522**	4,526,709	3,843,962
Right-of-use assets	17	**401,119**	282,349	287,375
Freehold land	18	**73,061**	74,593	66,587
Investment properties	19	**121,740**	157,040	153,960
Term deposits	25	**2,525,942**	1,850,000	900,000
Deferred tax assets	20	**72,698**	21,262	17,321
Prepayments	21	**23,963**	26,963	29,963
		7,762,045	6,938,916	5,299,168
CURRENT ASSETS				
Inventories	22	**773,681**	847,999	862,784
Financial assets at fair value through profit or loss	23	**84,384**	84,673	60,249
Term deposits	25	**5,011**	12,000	100,000
Trade, bills and other receivables	24	**6,157,711**	5,317,809	5,211,035
Pledged bank deposits	25	**–**	–	52,000
Bank balances and cash	25	**911,965**	497,912	1,104,447
		7,932,752	6,760,393	7,390,515
CURRENT LIABILITIES				
Trade, bills and other payables	26	**3,748,887**	3,810,749	3,879,026
Contract liabilities	27	**38,480**	5,880	31,845
Amount due to a related company	28	**3,415**	3,187	1,620
Tax liabilities		**77,284**	16,772	20,982
Dividend payable to non-controlling interests		**328,976**	–	27,195
Borrowings – due within one year	29	**2,903,181**	1,872,941	1,144,443
Bank overdrafts	29	**21,000**	–	–
Lease liabilities	31	**572**	560	414
		7,121,795	5,710,089	5,105,525
NET CURRENT ASSETS		**810,957**	1,050,304	2,284,990
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,573,002**	7,989,220	7,584,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	31/12/2020 RMB'000	31/12/2019 RMB'000 (Restated)	1/1/2019 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	20	**42,128**	12,952	12,327
Borrowings – due after one year	29	**670,000**	300,000	150,000
Deferred income	30	**48,805**	–	–
Lease liabilities	31	**1,494**	1,239	1,525
Obligations arising from repurchase of shares	32	**231,533**	–	–
		993,960	314,191	163,852
NET ASSETS		**7,579,042**	7,675,029	7,420,306
CAPITAL AND RESERVES				
Share capital	33	**158,603**	151,728	148,388
Share premium and other reserves		**5,499,008**	5,414,929	5,211,092
Equity attributable to owners of the company		**5,657,611**	5,566,657	5,359,480
Non-controlling interests	41(ii)	**1,921,431**	2,108,372	2,060,826
TOTAL EQUITY		**7,579,042**	7,675,029	7,420,306

The consolidated financial statements on pages 98 to 202 were approved and authorised for issue by the Board of Directors on 15 April 2021 and are signed on its behalf by:

LIU JINLAN,
DIRECTOR

ZHANG YUXIAO,
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2020

	Attributable to owners of the Company												
	Share Capital	**Share premium**	**Special reserve**	**Capital contribution reserve**	**Statutory common reserve**	**Capital redemption reserve**	**Translation reserve**	**Retained profits**	**Shares held under share-award scheme**	**Share-based payment reserve**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000* *(Note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019 (originally stated)	148,388	88,531	285,126	(130,150)	751,483	8,342	–	4,303,563	(12,051)	7,991	5,451,223	2,097,232	7,548,455
Adjustment	–	–	–	–	–	–	–	(91,743)	–	–	(91,743)	(36,406)	(128,149)
At 1 January 2019 (restated)	148,388	88,531	285,126	(130,150)	751,483	8,342	–	4,211,820	(12,051)	7,991	5,359,480	2,060,826	7,420,306
Profit for the year	–	–	–	–	–	–	–	285,798	–	–	285,798	120,727	406,525
Other comprehensive income for the year	–	–	–	–	–	–	40,013	–	–	–	40,013	–	40,013
Total comprehensive income for the year	–	–	–	–	–	–	40,013	285,798	–	–	325,811	120,727	446,538
Appropriations	–	–	–	–	46,719	–	–	(46,719)	–	–	–	–	–
Acquisition of additional interest in subsidiaries	–	–	22,921	–	–	–	–	–	–	–	22,921	(22,921)	–
Issuance of scrip shares *(note 14)*	4,698	83,153	–	–	–	–	–	–	–	–	87,851	–	87,851
Dividend recognised as distribution *(note 14)*	–	(144,799)	–	–	–	–	–	(52,278)	–	–	(197,077)	–	(197,077)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(50,260)	(50,260)
Repurchase of ordinary shares *(note 33)*	(1,358)	(26,885)	–	–	–	1,358	–	(1,358)	–	–	(28,243)	–	(28,243)
Shares vested under the share-award scheme	–	–	–	–	–	–	–	–	8,676	(8,676)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	4,976	4,976	–	4,976
Purchase of shares for the purpose of shares award scheme	–	–	–	–	–	–	–	–	(9,062)	–	(9,062)	–	(9,062)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2020

	Attributable to owners of the Company												
	Share Capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital contribution reserve RMB'000 (Note b)	Statutory common reserve RMB'000 (Note c)	Capital redemption reserve RMB'000	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	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2019 (restated)	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**

Notes:

(a) Special reserve as at 31 December 2020 comprises the following:

Special reserve of RMB308,047,000 as at 1 January 2020 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.

During the year ended 31 December 2020, an amount of RMB12,833,000 was debited to the special reserve which represents 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 at transaction date.

During the year ended 31 December 2020, Faith Maple and 東營融聚投資中心(有限合夥) (Dongying Rongju Investment Centre (Limited Partnership)*) ("Dongying Rongju"), the then shareholders of Shandong Xingda, transferred 42.38% and 24.50% equity interest in Shandong Xingda, respectively, to Jiangsu Xingda, in exchange for 2.47% of the total equity interest in Jiangsu Xingda. An amount of RMB64,004,000 was debited to the special reserve which represents the difference between the aggregate amount of net assets related to 42.38% and 24.50% equity interest in Shandong Xingda and 2.47% of net assets of Jiangsu Xingda subgroup at transaction date. The transaction was completed on 18 November 2020.

During the year ended 31 December 2020, 101,840,880 shares of Jiangsu Xingda, transferred from a non-controlling shareholder, were granted to eligible directors, employees and a supplier rendering services to the Group. The difference of RMB198,071,000 between the total share-based payment expenses recognised and the change in share of net assets of Jiangsu Xingda by non-controlling shareholders was credited to special reserve.

(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 2020

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000* (Restated)
OPERATING ACTIVITIES		
Profit before tax	**344,440**	535,783
Adjustments for		
Depreciation and amortisation	**555,119**	525,342
Interest income	**(95,164)**	(66,213)
Loss (gain) on fair value changes of investment properties	**1,900**	(3,080)
Dividend income from financial assets at fair value through profit or loss	**(2,177)**	(2,516)
Loss on disposal of property, plant and equipment	**10,271**	22,954
Impairment losses recognised under expected credit loss model, net of reversal	**(7,351)**	25,343
Recognition of equity-settled share-based payments	**277,067**	4,976
Finance costs	**80,961**	40,709
Loss (gain) on change in fair value of financial assets at fair value through profits or loss	**289**	(24,424)
Amortisation of deferred income	**(5,804)**	–
Staff housing benefits	**24,160**	–
Unrealised exchange gain	**7,834**	(5,179)
Operating cash flows before movements in working capital	**1,191,545**	1,053,695
Decrease in inventories	**74,318**	14,785
Increase in trade, bills and other receivables	**(934,249)**	(146,153)
Decrease in prepayments	**3,000**	3,000
Decrease in trade, bills and other payables	**(172,940)**	(263,887)
Increase (decrease) in contract liabilities	**32,600**	(25,965)
Increase in deferred income	**1,500**	–
Increase in amount due to a related company	**228**	1,567
Cash generated from operations	**196,002**	637,042
Income taxes paid	**(130,740)**	(136,784)
NET CASH FROM OPERATING ACTIVITIES	**65,262**	500,258

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2020

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000* (Restated)
INVESTING ACTIVITIES		
Placement of term deposits	**(655,011)**	(1,762,000)
Purchases of property, plant and equipment	**(507,120)**	(959,805)
Deposits paid for acquisition of right-of-use assets	**–**	(22,974)
Payments for right-of-use assets	**(57,666)**	(2,791)
Purchase of freehold land prepaid lease payments	**–**	(8,006)
Withdrawal of term deposits	**112,000**	952,000
Receipts of assets-related government grants	**53,109**	–
Interest received	**14,214**	103,223
Proceeds on disposal of property, plant and equipment	**5,395**	3,857
Dividend received from financial assets at fair value through profit or loss	**2,177**	2,516
NET CASH USED IN INVESTING ACTIVITIES	**(1,032,902)**	(1,693,980)
FINANCING ACTIVITIES		
New bank borrowings raised	**3,811,697**	2,700,811
Other loans raised	**41,969**	152,000
Repayments of bank borrowings	**(2,301,157)**	(1,896,813)
Repayment of other loans	**(145,909)**	(77,500)
Dividends paid	**(105,127)**	(109,226)
Dividends paid to non-controlling interests of subsidiaries	**(65,196)**	(77,455)
Interest paid	**(100,097)**	(73,209)
Payment on repurchase of ordinary shares	**–**	(28,243)
Payment on purchase of award shares	**–**	(9,062)
Repayments of lease liabilities	**(914)**	(140)
Proceeds from issue of new shares of a subsidiary	**230,000**	–
NET CASH FROM FINANCING ACTIVITIES	**1,365,266**	581,163
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**397,626**	(612,559)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**497,912**	1,104,447
Effect of foreign exchange rates changes	**(4,573)**	6,024
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by	**890,965**	497,912
Bank balances and cash	**911,965**	497,912
Bank overdrafts	**(21,000)**	–
	890,965	497,912

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 Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of *the Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year 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*

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[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[6]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 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 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 a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021
6 Effective for annual periods beginning on or after 1 April 2021

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 Prior year adjustments

During the finalization of the consolidated financial statements of the Group for the year ended 31 December 2020, the management has carried out a reassessment and identified certain adjustments in the consolidated financial statements of prior years. The effect of the prior year adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 is set out below:

	Notes	Year ended 31/12/2019 *(previously reported)* *RMB'000*	Prior year adjustments *RMB'000* *(Note)*	Year ended 31/12/2019 *(Restated)* *RMB'000*
Revenue	(a)	7,582,682	(1,057)	7,581,625
Cost of sales	(a)	(6,111,469)	(6,188)	(6,117,657)
Gross profit		1,471,213	(7,245)	1,463,968
Other income		126,422	–	126,422
Government grants		13,731	–	13,731
Distribution and selling expenses	(b)	(546,639)	2,391	(544,248)
Administrative expenses		(382,226)	–	(382,226)
Other gains and losses, net		31,285	–	31,285
Impairment loss recognised under expected credit loss model, net of reversal		(25,343)	–	(25,343)
Research and development expenditure		(107,097)	–	(107,097)
Finance costs		(40,709)	–	(40,709)
Profit before tax		540,637	(4,854)	535,783
Income tax expenses	(a) & (b)	(129,986)	728	(129,258)

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

3.1 Prior year adjustments – *Continued*

	Year ended 31/12/2019 *(previously reported)* *RMB'000*	Prior year adjustments *RMB'000* *(Note)*	Year ended 31/12/2019 *(Restated)* *RMB'000*
Profit for the year	410,651	(4,126)	406,525
Other comprehensive income			
Item that can be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations	40,013	–	40,013
Total comprehensive income for the year	450,664	(4,126)	446,538
Profit for the year attributable to:			
Owners of the Company	288,752	(2,954)	285,798
Non-controlling interests	121,899	(1,172)	120,727
	410,651	(4,126)	406,525
Total comprehensive income for the year attributable to:			
Owners of the Company	328,765	(2,954)	325,811
Non-controlling interests	121,899	(1,172)	120,727
	450,664	(4,126)	446,538
Earnings per share			
Basic (RMB cents)	19.09	(0.20)	18.89
Diluted (RMB cents)	18.99	(0.20)	18.79

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

3.1 Prior year adjustments – *Continued*

The effect of the adjustments in the respective line items of the consolidated financial positions of the Group as at 31 December 2019 and 1 January 2019 is as follows:

	Notes	As at 1 January 2019 *(previously reported)* *RMB'000*	Prior year adjustments *RMB'000*	As at 1 January 2019 *(Restated)* *RMB'000*	As at 31 December 2019 *(previously reported)* *RMB'000*	Prior year adjustments *RMB'000*	As at 31 December 2019 *(Restated)* *RMB'000*
Current assets							
Inventories	(a)	679,911	182,873	862,784	671,314	176,685	847,999
Trade, bills and other receivables	(a)	5,494,726	(283,691)	5,211,035	5,602,557	(284,748)	5,317,809
		6,174,637	(100,818)	6,073,819	6,273,871	(108,063)	6,165,808
Current liabilities							
Trade, bills and other payables	(b)	3,829,080	49,946	3,879,026	3,763,194	47,555	3,810,749
Tax liabilities	(a) & (b)	43,597	(22,615)	20,982	40,115	(23,343)	16,772
		3,872,677	27,331	3,900,008	3,803,309	24,212	3,827,521
Total effects on net assets		2,301,960	(128,149)	2,173,811	2,470,562	(132,275)	2,338,287
Total effects on equity		2,301,960	(128,149)	2,173,811	2,470,562	(132,275)	2,338,287

Notes:

a. To adjust recognition of revenue from contracts with customers in proper accounting period

The adjustment is to recognise revenue on sales of goods in the correct accounting period in accordance with the goods delivery terms that appropriately reflect the timing when control of the goods is transferred to the customers. The corresponding impact on cost of sales, inventories, trade receivables, value-added tax receivable, tax liabilities and income tax expenses has been adjusted accordingly.

b. To adjust accrual of goods transportation expenses in proper accounting period

The adjustment is to accrue goods delivery expenses in the correct accounting period in which expenses incurred. The adjustments set out above summarized the corresponding impact on selling and distribution expenses, income tax expenses, other payables and tax liabilities.

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

3.2 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 is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

3.2 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.

3.3 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 STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

3.3 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

3.3 Significant accounting policies – *Continued*

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, 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.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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.

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).

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

3.3 Significant accounting policies – *Continued*

Business combinations or asset acquisitions – Continued

Business combinations – *Continued*

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.

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

3.3 Significant accounting policies – *Continued*

Business combinations or asset acquisitions – Continued

Business combinations – *Continued*

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

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 at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

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.

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

3.3 Significant accounting policies – *Continued*

Revenue from contracts with customers – Continued

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.

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 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.

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

3.3 Significant accounting policies – *Continued*

Leases – Continued

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 office premises 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.

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.

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

3.3 Significant accounting policies – *Continued*

Leases – Continued

The Group as a lessee – *Continued*

Right-of-use assets – *Continued*

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 as a separate line item on the consolidated statement of financial position.

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

3.3 Significant accounting policies – *Continued*

Leases – Continued

The Group as a lessee – *Continued*

Lease liabilities – *Continued*

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 a lease component and one or more additional lease or non-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 and the aggregate stand-alone price of the non-lease components.

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

3.3 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*

3.3 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*

3.3 Significant accounting policies – *Continued*

Borrowing costs

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

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

Government grants

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

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

3.3 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*

3.3 Significant accounting policies – *Continued*

Taxation – Continued

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

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

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

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

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

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

3.3 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*

3.3 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*

3.3 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*

3.3 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*

3.3 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.

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*

3.3 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*

3.3 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*

3.3 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/or using a collective basis with appropriate groupings.

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*

3.3 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*

3.3 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*

3.3 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, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(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 and 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*

3.3 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 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*

3.3 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 and are subsequently measured at amortised cost, using the effective interest method.

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

3.3 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.

Income taxes

As at 31 December 2020, deferred tax assets of RMB72,698,000 (2019: RMB21,262,000) has been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimated provision of ECL for trade receivables

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

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

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

Share-based payment of Jiangsu Xingda

The fair value of the Relevant Jiangsu Xingda Shares (as defined in note 34) is determined by the management using market approach. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity. No vesting condition is attached to these shares. In assessing the fair value of the Relevant Jiangsu Xingda Shares, the management of the Company makes reference to the share subscription transactions as set out in note 41 with adjustments of, among others, dividend declared by Jiangsu Xingda in November 2020. 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 of promoting and maintaining the long-term business relationship with the supplier.

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 and obligations arising from repurchase of shares disclosed in notes 29 and 32 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 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000* *(Restated)*
Sale of products		
Radial Tire Cords		
– For trucks	**4,192,949**	4,283,049
– For passenger cars	**2,434,003**	2,398,261
Bead wires and other wires	**1,052,955**	900,315
Total	**7,679,907**	7,581,625
Timing of revenue recognition		
A point in time	**7,679,907**	7,581,625

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 are details below:

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
The PRC	**4,175,926**	3,979,241
Thailand	**987,479**	1,088,413
	5,163,405	5,067,654

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 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000* *(Restated)*
The PRC (country of domicile)	**5,950,769**	5,544,813
India	**255,644**	322,049
United States of America	**162,552**	301,270
Thailand	**316,048**	251,835
Korea	**109,774**	174,837
Germany	**88,779**	86,461
Others	**796,341**	900,360
	7,679,907	7,581,625

"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 2020 and 2019.

7. OTHER INCOME

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Sales of scrap materials	**42,625**	40,664
Interest income earned on bank balances and bank deposits	**95,164**	66,213
Rental income from investment properties	**3,556**	4,804
Service income	**3,184**	1,974
Sundry income	**14,696**	12,767
	159,225	126,422

8. GOVERNMENT GRANTS

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Unconditional government grants *(note)*	**12,596**	13,731
Released from deferred income *(note 30)*	**5,804**	–
	18,400	13,731

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 2020.

9. OTHER GAINS AND LOSSES, NET

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
(Loss) gain from change in fair value of investment properties	**(1,900)**	3,080
Loss on disposal of property, plant and equipment	**(10,271)**	(22,954)
Dividend income from financial assets at FVTPL	**2,177**	2,516
(Loss) gain on change in fair value of financial assets at FVTPL	**(289)**	24,424
Net foreign exchange (loss) gain	**(41,293)**	24,219
	(51,576)	31,285

10. FINANCE COSTS

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Interests on:		
Bank loans and other borrowings	**98,396**	63,118
Bills receivable discounted	**2,729**	9,799
Lease liabilities	**151**	76
Imputed interest on obligations arising from repurchase of shares *(note 32)*	**1,533**	–
	102,809	72,993
Less: amount capitalised in the cost of qualifying assets	**(21,848)**	(32,284)
	80,961	40,709

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.30% (2019: 2.92%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Current tax	**158,885**	100,197
(Over) underprovision in prior years	**(3,166)**	31
Withholding tax paid	**35,533**	32,346
Deferred tax *(note 20)*	**(22,260)**	(3,316)
	168,992	129,258

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 successful in renewing the High-tech Enterprise Certificate (the "Certificate") issued on 24 October 2018, Jiangsu Xingda is continued to entitle the tax incentive as High-tech Enterprise and accordingly, the status of High-tech Enterprise is to be effective for the years 2018, 2019 and 2020. As a result, the tax rate of 15% is used to calculate the amount of current tax for the year ended 31 December 2020 (2019:15%).

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 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000* *(Restated)*
Profit before tax	**344,440**	535,783
Tax at the PRC tax rate of 25%	**86,110**	133,946
Tax effect of expenses not deductible for tax purposes	**102,038**	22,508
Tax effect of income not taxable for tax purposes	**(14,774)**	(24,055)
Tax effect of tax losses not recognised	**13,017**	6,777
Tax effect of preferential tax rate	**(61,518)**	(42,295)
(Over) underprovision in prior years	**(3,166)**	31
Withholding tax *(note)*	**47,285**	32,346
Income tax expense for the year	**168,992**	129,258

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 2020, two of the PRC subsidiaries (2019: two), Shandong Xingda and Jiangsu Xingda has distributed dividends of RMB1,073,373,000 (2019: RMB174,952,000) to Faith Maple, the Company's immediate holding company.

No deferred tax charge in respect of the retained profits of Jiangsu Xingda was provided in these consolidated financial statements. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB2,741,993,000(2019: RMB3,447,059,000), 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 (2019: nil) was distributed to Faith Maple by Jiangsu Xingda and the relevant withholding tax payment was deferred as the whole amount was re-invested in the PRC.

12. PROFIT FOR THE YEAR

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration *(note 13)*		
Salaries, wages and other benefits *(note)*	**719,948**	661,943
Retirement benefits scheme contributions	**51,734**	66,828
Share-based payments	**277,067**	4,976
Total staff costs	**1,048,749**	733,747
Less: capitalised in inventories	**(449,009)**	(444,973)
Less: included in research and development expenditure	**(35,297)**	(36,978)
	564,443	251,796
Auditor's remuneration	**2,031**	2,316
Cost of inventories recognised as an expense	**6,130,682**	6,117,657
Depreciation and amortisation		
– Property, plant and equipment	**545,308**	517,525
– Right-of-use assets	**9,811**	7,817
Total depreciation and amortisation	**555,119**	525,342
Less: capitalised in inventories	**(446,031)**	(439,158)
Less: included in research and development expenditure	**(5,971)**	(5,731)
	103,117	80,453
Gross rental income from investment properties	**(4,992)**	(5,120)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**1,436**	316
Rental income from investment properties, net	**(3,556)**	(4,804)
Short-term lease expenses	**569**	N/A

Note: The amount included staff housing benefits expenses of RMB24,160,000 (2019: nil) 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 (2019: seven) directors were as follows:

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Fees	**978**	1,047
Salaries and other allowances	**10,554**	11,855
Performance related incentive bonus *(note)*	**15,827**	15,102
Retirement benefit scheme contributions	**160**	57
Share-based payments	**79,104**	3,503
	106,623	31,564

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 2020

	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	–	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

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

Directors – *Continued*

Year ended 31 December 2019

	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	–	4,145	5,466	18	1,379	11,008
LIU Xiang	–	2,781	3,743	18	689	7,231
TAO Jinxiang	–	2,993	3,739	18	689	7,439
ZHANG Yuxiao	–	1,936	2,154	3	632	4,725
Independent Non-executive Directors						
William John SHARP	349	–	–	–	57	406
KOO Foo Sun, Louis	349	–	–	–	57	406
XU Chunhua	349	–	–	–	–	349
	1,047	11,855	15,102	57	3,503	31,564

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

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

The 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 (2019: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining one (2019: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Year ended 31/12/2020 **RMB'000**	Year ended 31/12/2019 RMB'000
Salaries, allowances and benefits in kind	**1,910**	2,216
Performance related incentive bonus *(note)*	**2,865**	2,564
Share-based payments	**24,479**	453
	29,254	5,233

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 31/12/2020	Year ended 31/12/2019
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 2020 and 2019.

14. DIVIDEND

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *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 2019 – 15.0 HK cents per share (2019: final dividend paid in respect of the year ended 31 December 2018 – 15.0 HK cents per share)	**204,823**	197,077
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2019: 15.0 HK cents) per share	**202,861**	204,823

During the current year, a final dividend of 15.0 HK cents (2019: 15.0 HK cents) per ordinary share in an aggregate amount of RMB204,823,000 (2019: RMB197,077,000) with scrip alternatives in respect of the year ended 31 December 2019 (2019: 31 December 2018) was approved at the annual general meeting of the Company held on 17 June 2020 (2019: 28 May 2019).

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

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Dividends:		
Cash	**105,127**	109,226
Ordinary share alternative	**99,696**	87,851
	204,823	197,077

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2020 of 15.0 HK cents (2019: 15.0 HK cents) per ordinary share in an aggregate amount of RMB202,861,000 (2019: RMB204,823,000) 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 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Profit for the year attributable to owners of the Company		
Earnings for the purpose of basic and diluted earnings per share	**114,996**	285,798

	Year ended 31/12/2020	Year ended 31/12/2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,555,857**	1,512,884
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**9,578**	8,025
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,565,435**	1,520,909

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 2019	2,245,054	3,317	5,348,632	178,997	57,564	306,985	8,140,549
Additions	917	6,267	84,490	6,476	1,493	1,088,272	1,187,915
Reclassifications	141,493	–	229,931	1,057	6,809	(379,290)	–
Disposals	(22,439)	–	(186,536)	(323)	(123)	–	(209,421)
Exchange realignment	–	291	1,501	10	32	37,564	39,398
At 31 December 2019	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**
DEPRECIATION							
At 1 January 2019	822,786	1,049	3,311,547	115,267	45,938	–	4,296,587
Provided for the year	114,103	767	381,405	17,673	3,577	–	517,525
Eliminated on disposals	(15,258)	–	(167,074)	(162)	(116)	–	(182,610)
Exchange realignment	–	31	177	1	21	–	230
At 31 December 2019	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**
CARRYING VALUES							
At 31 December 2020	**1,697,134**	**9,121**	**2,115,226**	**54,295**	**23,015**	**644,731**	**4,543,522**
At 31 December 2019	1,443,394	8,028	1,951,963	53,438	16,355	1,053,531	4,526,709

16. PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Construction in progress as at 31 December 2020 and 2019 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.

As at 31 December 2019, the Group's certain buildings with carrying value of approximately RMB184,507,000 was pledged as security for the Group's banking facilities as set out in note 29. The pledge was released upon replacement by pledged bank deposits during the year.

The Group's buildings with carrying value of RMB458,388,000 as at 31 December 2020 (2019: RMB421,106,000) are still in the process of application of title certificates.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 31 December 2020			
Carrying amount	399,163	1,956	401,119
At 31 December 2019			
Carrying amount	280,856	1,493	282,349
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 the year ended 31 December 2019			
Depreciation charge	7,371	446	7,817
Expense relating to short-term leases	–	200	200
Total cash outflow for leases	25,765	416	26,181
Additions to right-of-use assets	25,765	–	25,765

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 50 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 RMB53,057,000 (2019: nil) in which the Group is in the process of obtaining.

As at 31 December 2019, the Group's certain leasehold lands located in the PRC with carrying amount of approximately RMB49,269,000 have been pledged as security for the Group's bank borrowings as set out in note 29. The pledge was released upon replacement by pledged deposits during the year.

The Group regularly entered into short-term leases for its office premises. As at 31 December 2020, 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 additions, lease liabilities of RMB2,066,000 are recognised with related right-of-use assets of RMB1,956,000 as at 31 December 2020 (2019: lease liabilities of RMB1,799,000 and related right-of-use assets of RMB1,493,000). 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 2019	66,587
Additions	8,006
At 31 December 2019	74,593
Exchange realignment	(1,532)
At 31 December 2020	**73,061**

The Group's freehold land is located freehold land in Thailand with infinite useful life.

19. INVESTMENT PROPERTIES

	Completed investment properties *RMB'000*
FAIR VALUE	
At 1 January 2019	153,960
Net increase in fair value recognised in profit or loss	3,080
At 31 December 2019 and 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	**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 2020 and 2019 have been arrived at on the basis of a valuation carried out on the respective dates by 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 4.67% (2019: 4.875%) and rental ranging from RMB139 to RMB161 per square meter per month (2019: RMB140 to RMB163 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 2020 and 2019 are as follows:

	Level 3	
	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Office premises located in Shanghai	**121,740**	157,040

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:

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Deferred tax assets	**72,698**	21,262
Deferred tax liabilities	**(42,128)**	(12,952)
	30,570	8,310

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 2019	–	–	1,025	16,296	(8,665)	(3,896)	234	4,994
(Credit) charge to profit or loss	–	–	(1,025)	4,966	(770)	145	–	3,316
At 31 December 2019	–	–	–	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**

Note: 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. 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.

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 RMB88,542,000 (2019: RMB39,413,000) 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. The unrecognised tax losses are with expiry dates as disclosed in the following table:

	31/12/2020 ***RMB'000***	31/12/2019 *RMB'000*
2020	**–**	(2,941)
2021	**(126)**	(126)
2022	**(1,761)**	(1,761)
2023	**(7,481)**	(7,481)
2024	**(27,104)**	(27,104)
2025	**(52,070)**	–
	(88,542)	(39,413)

21. PREPAYMENTS

The amount of RMB26,963,000 (2019: RMB29,963,000) represents the prepayment of road maintenance and management fee to a government authority for a period of 8.99 (2019: 9.99) years. As at 31 December 2020, an amount of RMB3,000,000 (2019: 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 RMB23,963,000 (2019: RMB26,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

22. INVENTORIES

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Raw materials	**419,105**	389,502
Work in progress	**115,038**	100,778
Finished goods	**239,538**	357,719
	773,681	847,999

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Listed securities held for trading:		
– Equity securities listed in Hong Kong *(Note)*	**84,384**	84,673

Note: 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 2020, the Group has recognised a fair value loss of RMB289,000 (2019: a fair value gain of RMB24,424,000) 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. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates.

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

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000* *(Restated)*
Trade receivables – goods	**2,454,551**	2,284,671
Less: Allowance for credit losses	**(95,020)**	(135,768)
	2,359,531	2,148,903
Bills receivable	**3,605,122**	2,974,538
Less: Allowance for credit losses	**(1,950)**	–
	3,603,172	2,974,538
	5,962,703	5,123,441
Advances to suppliers of raw materials	**39,331**	15,289
Prepayments for spool	**18,376**	12,251
Interest receivables from term deposits	**–**	44,992
Value-added tax recoverable	**113,601**	42,601
Deposit paid for acquiring land use rights *(note)*	**–**	50,346
Other receivables and prepayments	**28,962**	34,151
Less: Allowance for credit losses on other receivables	**(5,262)**	(5,262)
	195,008	194,368
	6,157,711	5,317,809

Note: The amount has been transferred to right-of-use assets during the year.

As at 1 January 2019, trade and bills receivables from contracts with customers amounted to RMB5,017,631,000.

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:

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
0 – 90 days	**1,842,046**	1,585,980
91 – 120 days	**231,928**	202,031
121 – 180 days	**195,082**	228,841
181 – 360 days	**90,272**	132,051
Over 360 days	**203**	–
	2,359,531	2,148,903
Bills receivable *(see Note (a))*		
0 – 90 days	**482,520**	362,678
91 – 180 days	**1,416,727**	1,036,660
181 – 360 days	**1,610,423**	1,418,944
Over 360 days	**93,502**	156,256
	3,603,172	2,974,538

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:

	31/12/2020	**Equivalent to RMB**	31/12/2019	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
			(Restated)	(Restated)
United States Dollar ("USD")	**43,998**	**287,083**	47,878	334,007
EUROS ("EUR")	**11,752**	**94,310**	10,679	83,462

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 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB355,820,000 (2019: RMB337,894,000) which are past due as at the reporting date. Out of the past due balances, RMB81,146,000 (2019: RMB111,774,000) 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 (a): TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2020 and 2019 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 related liabilities are shown under trade payables, other payables and borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2020

	Bills receivable endorsed/discounted to suppliers/banks with full recourse *RMB'000*
Carrying amount of transferred assets	434,695
Carrying amount of associated liabilities	
– Trade payables	430,605
– Payables for purchase of property, plant and equipment	2,390
– Other loans	1,700
Net position	–

As at 31 December 2019

	Bills receivable endorsed to suppliers with full recourse *RMB'000*
Carrying amount of transferred assets	1,802,427
Carrying amount of associated liabilities	
– Trade payables	1,799,307
– Payables for purchase of property, plant and equipment	3,120
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 1.30% (2019: 0.01% to 1.30%) per annum.

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Non-current		
Pledged term deposits	**801,664**	420,000
Other non-current term deposits	**1,724,278**	1,430,000
	2,525,942	1,850,000
Current		
Term deposits	**5,011**	12,000
	2,530,953	1,862,000

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 (2019: one to three years) are presented as non-current assets. As at 31 December 2020, 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.

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 (2019: fixed rates in the range of 2.18% and 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:

	31/12/2020	**Equivalent to RMB**	31/12/2019	Equivalent to RMB
	'000	***'000***	*'000*	*'000*
Hong Kong dollars ("HKD")	**15,048**	**12,589**	11,573	10,351
USD	**54,830**	**357,829**	9,549	66,612
EUR	**2,300**	**18,459**	3,130	24,463
Thai Baht ("THB")	**–**	**–**	35,519	8,260
RMB	**11,849**	**11,849**	–	–

26. TRADE, BILLS AND OTHER PAYABLES

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000* *(Restated)*
Trade payables	**1,706,739**	2,151,758
Bills payable	**900,000**	662,000
	2,606,739	2,813,758
Value-added tax payables and other tax payables	**13,042**	34,912
Accrued staff costs and pension	**296,655**	225,469
Payables for purchase of property, plant and equipment	**697,004**	587,105
Accrued interest expense	**4,109**	2,930
Accrued expenses	**96,406**	115,896
Others	**34,932**	30,679
	1,142,148	996,991
	3,748,887	3,810,749

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:

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Trade payables		
0 – 90 days	**943,324**	1,501,132
91 – 180 days	**295,487**	277,044
181 – 360 days	**365,943**	286,656
Over 360 days	**101,985**	86,926
	1,706,739	2,151,758
Bills payable		
0 – 90 days	**499,768**	351,230
91 – 180 days	**400,232**	248,770
181 – 360 days	**–**	62,000
	900,000	662,000

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

The average credit period on purchase of goods is 90 days which may be extended to 120 days or 180 days based on negotiation 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

As at 1 January 2019, contract liabilities amounted to RMB31,845,000.

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 2020, contract liabilities amounted to RMB5,880,000 (2019: RMB31,845,000), all of which has been recognised as the Group's revenue during the year ended 31 December 2020.

28. AMOUNT DUE TO A RELATED COMPANY

The amount represents hotel and catering service fee payable to Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. 興化市興達繡園酒店有限公司 ("Xingda Xiu Yuan"), 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.

29. BORROWINGS/BANK OVERDRAFTS

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Bank overdrafts	**21,000**	–
Bank borrowing	**3,556,481**	2,045,941
	3,577,481	2,045,941
Other loans	**16,700**	127,000
	3,594,181	2,172,941
Secured *(Note)*	**1,103,241**	993,952
Unsecured	**2,490,940**	1,178,989
	3,594,181	2,172,941

The Group's borrowings are repayable as follows:

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Carrying amount repayable (based on scheduled repayment terms)		
Within one year	**2,924,181**	1,872,941
More than one year but not exceeding two years	**400,000**	–
More than two years but not exceeding five years	**270,000**	300,000
	3,594,181	2,172,941
Less: Amounts due within one year shown under current liabilities	**(2,924,181)**	(1,872,941)
	670,000	300,000

Note: These borrowings secured by pledged bank deposits and trade receivables (2019: secured by certain property, plant and equipment and right-of-use assets), details of which are set out in Notes 16, 17 and 24.

29. BORROWINGS/BANK OVERDRAFTS – *CONTINUED*

As at 31 December 2020, the Group obtained other loans of RMB16,700,000 (2019: RMB127,000,000) from a financial institution, which is controlled by a director of the Company. The amount is unsecured, carried interest at fixed rate ranging from 12% to 13% per annum (2019: 5% to 13% per annum) and is repayable in one year. The loans were used as working capital of the Group. Other loans of RMB127,000,000 as at 31 December 2019 has been repaid in full (2019: RMB52,500,000) during the year.

The bank borrowings bear interest at market rates.

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000*
Borrowings comprise:		
Fixed-rate borrowings	**3,435,241**	1,961,952
Variable-rate borrowings	**158,940**	210,989
	3,594,181	2,172,941

The variable-rate bank borrowings which carried interest at 2.2% (2019: 2.2%) above 1-month Hong Kong and Interbank Offered Rate and rates determined by The People's Bank of China.

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

	31/12/2020	31/12/2019
Effective interest rates:		
Fixed-rate borrowings	**2.70% – 4.79%**	2.92% – 5.20%
Variable-rate borrowings	**2.31% – 4.90%**	3.91% – 4.61%

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

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000*
HKD	**158,940**	160,989

30. DEFERRED INCOME

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Analysed for reporting purposes as:		
Non-current liabilities	**48,805**	–

During the year ended 31 December 2020, the Group received government grant of 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. The amount released to income in the current year amounted to RMB5,350,000 (2019: nil). As at 31 December 2020, balance of RMB47,759,000 (2019: nil) remains to be amortised.

During the year, 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 RMB454,000 (2019: nil). As at 31 December 2020, balance of RMB1,046,000 remains to be amortised.

31. LEASE LIABILITIES

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Lease liabilities payable:		
Within one year	**572**	560
Within a period of more than one year but not more than two years	**595**	167
Within a period of more than two years but not more than five years	**568**	543
Within a period of more than five years	**331**	529
	2,066	1,799
Less: Amount due to settlement with 12 months shown under current liabilities	**(572)**	(560)
Amount due for settlement after 12 months shown under non-current liabilities	**1,494**	1,239

32. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Obligations arising from repurchase of shares	**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 could not complete the A share initial public offering and become listed on either 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 lability with present value of RMB231,533,000 at 31 December 2020 and bearing an interest of 8% per annum.

* For identification only.

33. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	'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	**1,530,813**	1,492,531	**151,728**	148,388
Issuance of scrip shares *(note)*	**76,115**	53,395	**6,875**	4,698
Repurchase of shares	**–**	(15,113)	**–**	(1,358)
At end of year	**1,606,928**	1,530,813	**158,603**	151,728

Note: During the year ended 31 December 2020, the Company 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.

During the year ended 31 December 2019, the Company purchased its ordinary shares through the Stock Exchange as follows:

	Number of ordinary shares	Price per share Highest	Price per share Lowest	Aggregate consideration paid	Aggregate consideration paid equivalent to
	'000	*HK$*	*HK$*	*HK$'000*	*RMB'000*
September 2019	1,242	2.09	2.07	2,612	2,355
October 2019	6,422	2.10	2.08	13,475	11,503
November 2019	5,421	2.14	2.10	11,628	10,463
December 2019	2,028	2.14	2.11	4,358	3,922
	15,113			32,073	28,243

Apart from the Company's shares purchased under the share-award scheme of the Company as mentioned in note 34 to the consolidated financial statements, 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 2020 and 2019.

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.

4,900,000 shares have been purchased from the open market pursuant to the Scheme during the year ended 31 December 2019 while nil shares have been purchased during the year ended 31 December 2020. 3,333,334 (2019: 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*

2020

Categories of awardees	Date of grant *(Note i)*	Fair value per share *HK$* *(Note ii)*	Number of awarded shares: 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	–	–	–	–	25 August 2016 to 31 March 2019
Directors of the Company	25 August 2016	2.150	2,066,667	(2,066,667)	–	–	25 August 2016 to 31 March 2020
Directors of the Company	25 August 2016	2.150	2,066,666	–	–	2,066,666	25 August 2016 to 31 March 2021
Employees	25 August 2016	1.561	–	–	–	–	25 August 2016 to 31 March 2019
Employees	25 August 2016	1.415	1,266,667	(1,266,667)	–	–	25 August 2016 to 31 March 2020
Employees	25 August 2016	1.303	1,266,666	–	–	1,266,666	25 August 2016 to 31 March 2021
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*

2019

			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 2019
Directors of the Company	25 August 2016	2.150	2,066,667	–	–	2,066,667	25 August 2016 to 31 March 2020
Directors of the Company	25 August 2016	2.150	2,066,666	–	–	2,066,666	25 August 2016 to 31 March 2021
Employees	25 August 2016	1.561	1,266,667	(1,266,667)	–	–	25 August 2016 to 31 March 2019
Employees	25 August 2016	1.415	1,266,667	–	–	1,266,667	25 August 2016 to 31 March 2020
Employees	25 August 2016	1.303	1,266,666	–	–	1,266,666	25 August 2016 to 31 March 2021
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
			10,000,000	(3,333,334)	10,000,000	16,666,666	

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 Group recognised the total expenses of approximately RMB6,219,000 for the year ended 31 December 2020 (2019: RMB4,976,000) 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 41) 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 directors, employees and supplier 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, by reference to the share subscription transactions as set out in note 41 with adjustment of, among others, dividend declared between the share transfer of Jiangsu Xinghongda and the share subscription transactions. 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 *in '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

* For identification only

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 were deemed to be granted for the purpose of promoting and maintaining 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 (2019: nil) 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 RMB4,992,000 (2019: RMB5,120,000). The properties are expected to generate rental yields of 4.10% (2019: 4.14%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 31 December 2020, the Group had contracted with tenants for the following future minimum lease payments:

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000*
Within one year	**6,159**	5,910
In the second year	**4,524**	3,810
In the third year	**2,193**	3,182
In the fourth year	**157**	2,435
	13,033	15,337

36. CAPITAL COMMITMENTS

	Year ended 31/12/2020	Year ended 31/12/2019
	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	**594,780**	350,907

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 20.0% (2019: 20.0%) of the employees' salaries subject to the minimum requirement in the Xinghua Municipality, which are charged to operations as expenses when the contributions are due.

The Group's contribution to the retirement benefit scheme that is charged to profit or loss is approximately RMB51,734,000 (2019: RMB66,828,000) for the year ended 31 December 2020. The decrease is mainly due to certain subsidiaries of the Company have been partially waived to undertake contribution to the retirement benefit scheme for the Coronavirus Disease 2019 during the current year, pursuant to the notice released by the relevant PRC authority.

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 31/12/2020**	Year ended 31/12/2019
		RMB'000	*RMB'000*
Xingda Xiu Yuan *(Note a)*	Services fee for hotel and catering services	**6,644**	10,215
	Provision of utilities	**616**	–
Xinghua Xingda Rural Small Loan Co., Ltd. *(Note b)*	Interest expenses for borrowings	**975**	13,101

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 a related party are set out in notes 28 and 29.

Compensation of key management personnel

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

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Short-term benefits	**38,944**	40,848
Post-employment benefits	**214**	66
Share-based payments	**128,276**	4,202
	167,434	45,116

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 2020

	Bank borrowings	Other loans	Accrued interest expenses	Dividend payable	Lease liabilities	Obligations arising from repurchase of shares	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

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – *CONTINUED*

As at 31 December 2019

	Bank borrowings	Other loans	Accrued interest expenses	Dividend payable	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	1,241,943	52,500	3,146	27,195	1,939	1,326,723
Financing cash flows	803,998	74,500	(73,133)	(186,681)	(216)	618,468
Dividend declared	–	–	–	159,486	–	159,486
Interest expenses	–	–	40,633	–	76	40,709
Interest capitalised	–	–	32,284	–	–	32,284
As at 31 December 2019	2,045,941	127,000	2,930	–	1,799	2,177,670

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
		(Restated)
Financial assets		
Financial assets at amortised cost	**9,429,321**	7,607,580
Financial assets at FVTPL	**84,384**	84,673
Financial liabilities		
Amortised cost	**7,496,780**	5,607,670

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, amount due to a related party, dividend payable to non-controlling interests, borrowings, bank overdrafts 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 22.5% (2019: 26.9%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst 0.7% (2019: 0.5%) 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 of the Group are denominated in USD, HKD, EUR, RMB and THB. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

<u>Foreign currency sensitivity</u>

The following details the Group's sensitivity to a 3% (2019: 3%) increase and decrease in RMB against USD, HKD and EUR and THB against RMB. 3% (2019: 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% (2019: 3%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where RMB strengthen 3% (2019: 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 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
RMB against USD	**(16,490)**	(10,237)
RMB against HKD	**3,673**	4,039
RMB against EUR	**(2,876)**	(2,752)
THB against RMB	**(355)**	(248)

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 fixed-rate borrowings (see note 29 and note 31 for details of these borrowings and lease liabilities) 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 (2019: 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 (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would decrease/increase by approximately RMB795,000 (2019: decrease/increase by approximately RMB805,000).

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% (2019: 5%) higher/lower, profit for the year ended 31 December 2020 would increase/decrease by RMB4,219,000 (2019: RMB4,234,000) 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 2020.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment

As at 31 December 2020 and 2019, 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 83% (31 December 2019: 74%) of the total trade receivables as at 31 December 2020. The Group has concentration of credit risk as 8.3% (2019: 11.0%) and 26.9% (2019: 36.0%) 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:

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*	N/A	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

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – Continued

2019	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount *RMB'000 (Restated)*
Financial assets at amortised costs					
Trade receivables	*24*	N/A	*(note)*	Lifetime ECL (not credit-impaired)	2,175,926
			Loss	Lifetime ECL (credit-impaired)	108,745
					2,284,671
Bills receivable	*24*	N/A	Low risk	12-month ECL	2,974,538
Other receivables	*24*	N/A	Low risk	12-month ECL	129,489
Bank balances	*25*	Baa2 – Aa3	Low risk	12-month ECL	496,883
Term deposits	*25*	Baa2 – Aa3	Low risk	12-month ECL	1,862,000
					7,747,581

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 2020 within lifetime ECL (not credit-impaired). Credit-impaired debtors with gross carrying amount of RMB74,668,000 (2019: RMB108,745,000) as at 31 December 2020 were assessed individually.

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Credit risk and impairment assessment – Continued

At 31 December 2020 (RMB'000):

	Weighted-average expected credit loss rate	**Total gross carrying amount**	**Lifetime ECL**
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**

At 31 December 2019 (RMB'000):

	Weighted-average expected credit loss rate	Total gross carrying amount	Lifetime ECL
Customers of auto-related industry	1.121%	2,020,101	22,648
Customers in chemicals, plastics and rubber industries	2.871%	122,202	3,509
Others	2.578%	33,623	866
Total		2,175,926	27,023

During the year ended 31 December 2020, the Group recorded a reversal of impairment allowance of RMB9,301,000 (2019: provision of impairment allowance of RMB25,722,000) for trade receivables, based on the collective basis.

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 2019	27,758	82,288	110,046
Impairment loss recognised	5,485	26,457	31,942
Impairment loss reversed	(6,220)	–	(6,220)
As at 31 December 2019	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**

Note: During the year ended 31 December 2020, the Group writes off trade receivables of gross carrying amount of 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 2020, an impairment loss of RMB1,950,000 was recorded for bills receivable (2019: a reversal of impairment allowance of RMB379,000 for other receivables).

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 risk – 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 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

40. FINANCIAL INSTRUMENTS – *CONTINUED*

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

Liquidity risk – Continued

Liquidity risk tables – *Continued*

At 31 December 2019 (Restated)

	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	–	3,431,542	–	–	–	3,431,542	3,431,542
Amount due to a related company	–	3,187	–	–	–	3,187	3,187
Borrowings							
– variable rate	3.50	212,867	–	–	–	212,867	210,989
– fixed rate	4.68	1,718,960	–	335,100	–	2,054,060	1,961,952
Lease liabilities	4.35	603	217	649	560	2,029	1,799
		5,367,159	217	335,749	560	5,703,685	5,609,469

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 2020 *RMB'000*	31 December 2019 *RMB'000*	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Financial assets at FVTPL *(note 23)*	**84,384**	84,673	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 2020 and 2019.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of the Company's principal subsidiaries as at 31 December 2020 and 2019 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
		2020	2019	**2020**	2019	
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 & d)*	PRC	**RMB1,908,175,265**	RMB1,712,229,323	**70.32%**	73.31%	Manufacture and distribution of radial tire cords, bead wires and other wires
Shanghai Xingda 上海興達鋼簾線有限公司 *(note b)*	PRC	**RMB2,000,000**	RMB2,000,000	**70.32%**	73.31%	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 *(notes b & e)*	PRC	**RMB683,704,195**	–	**100%**	–	Production and supply of heating power, manufacturing and distribution of other wires
Xingda Steel Cord (Thailand) Company Limited *(note b)*	Thailand	**THB4,396,463,200**	THB2,000,000	**70.32%**	73.31%	Manufacture and distribution of radial tire cords, bead wires and other wires
Xingda Europe S.A.R.L. *(note b)*	Luxembourg	**EUR245,400**	EUR245,400	**70.32%**	73.31%	Promotion of business in Europe

41. 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

(d) On 18 November 2020, Jiangsu Xingda, an indirectly non-wholly owned subsidiary of the Company, entered into a capital increase agreement with Faith Maple, a directly wholly-owned subsidiary of the Company, and Dongying Rongju pursuant to which among others, Dongying Rongju agreed to subscribe for 2.47% of the total equity interest (on an enlarged basis) in Jiangsu Xingda at an equivalent total capital contribution of RMB161,163,000 which shall be satisfied by the transfer of its 24.50% equity interest in Shandong Xingda to Jiangsu Xingda (the "Equity Transfer"). Upon completion of the Equity Transfer, Shandong Xingda is held as to 66.88% by Jiangsu Xingda and 33.12% by Xingda Special Cords and becomes a wholly-owned subsidiary of Jiangsu Xingda while it remains an indirectly non-wholly owned subsidiary of the Company.

On 16 December 2020, Jiangsu Xingda, an indirectly non-wholly owned subsidiary of the Company, entered into another capital increase agreements with the Investors, namely, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre and Jiaxing Jianxin Chenyue, pursuant to which, among others, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre and Jiaxing Jianxin Chenyue agreed to make capital contributions of RMB50,000,000, RMB50,000,000, RMB50,000,000, RMB50,000,000 and RMB30,000,000 respectively, in cash to Jiangsu Xingda to subscribe for equity interest in Jiangsu Xingda. The Capital Contributions, in aggregate, amounted to RMB230,000,000. Upon completion of the transactions, Jiangsu Xingda was held as to 70.32%, 26.33%, 0.73%, 0.73%, 0.73%, 0.73% and 0.43% by Faith Maple, the other existing shareholders, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre and Jiaxing Jianxin Chenyue respectively and remains an indirectly non-wholly owned subsidiary of the Company.

As a result of the above restructuring arrangement, the Group's effective interest in Jiangsu Xingda has been decreased from approximately 73.31% to approximately 70.32%.

(e) established during the year ended 31 December 2020

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.

41. 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	
		2020	2019	**2020**	2019	**2020**	2019
				RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司 *(note ii)*	PRC	**29.68%**	26.69%	**50,690**	114,607	**2,151,431**	1,940,356
Shandong Xingda 山東興達鋼簾線有限公司	PRC	*(note i)*	33.34%	**23,516**	8,598	**–**	208,495
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)**	–

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

	Shandong Xingda		Jiangsu Xingda	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000* (Restated)
Current assets	**N/A**	656,428	**7,852,495**	5,872,436
Non-current assets	**N/A**	717,050	**7,084,928**	5,789,608
Current liabilities	**N/A**	(748,119)	**(6,942,120)**	(4,174,651)
Non-current liabilities	**N/A**	–	**(746,520)**	(300,000)
Equity attributable to owners of the Company	**N/A**	(416,864)	**(5,327,352)**	(5,247,037)
Non-controlling interests	**N/A**	(208,495)	**(2,151,431)**	(1,940,356)
Effect of put option of shares of a subsidiary granted to non-controlling interests	**N/A**	N/A	**230,000**	–

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

(ii) – Continued

	Shandong Xingda		Jiangsu Xingda	
	Year ended 2020 *RMB'000*	Year ended 2019 *RMB'000*	**Year ended 2020 *RMB'000***	Year ended 2019 *RMB'000* (Restated)
Revenue	**837,539**	815,617	**6,815,212**	7,072,578
Expenses	**(765,427)**	(789,828)	**(6,492,109)**	(6,642,911)
Profit and total comprehensive income attributable to owners of the Company	**48,596**	17,191	**272,413**	315,060
Profit and total comprehensive income attributable to the non-controlling interests	**23,516**	8,598	**50,690**	114,607
Profit and total comprehensive income for the year	**72,112**	25,789	**323,103**	429,667
Dividend paid to non-controlling interests	**14,945**	–	**50,251**	48,221
Net cash inflow (outflow) from operating activities	**80,053**	92,650	**(68,467)**	161,920
Net cash (outflow) inflow from investing activities	**(108,927)**	(56,953)	**17,075**	(1,908,640)
Net cash inflow (outflow) from financing activities	**17,797**	(39,071)	**424,510**	1,198,800
Net cash (outflow) inflow	**(11,077)**	(3,374)	**373,118**	(547,920)

Notes:

(i) During the year, 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.

(ii) The amount in 2020 represents consolidated financial information of Jiangsu Xingda while the amount in 2019 represents stand-alone financial information of Jiangsu Xingda.

42. 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:

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment in a subsidiary	**558,476**	558,476
Amount due from a subsidiary	**645,702**	681,233
	1,204,178	1,239,709
CURRENT ASSETS		
Financial assets at fair value through profit or loss	**84,384**	84,673
Other receivables	**145**	32
Bank balances and cash	**12,506**	10,324
	97,035	95,029
CURRENT LIABILITIES		
Other payables	**5,829**	4,361
Bank borrowings	**158,940**	160,989
	164,769	165,350
NET CURRENT LIABILITIES	**(67,734)**	(70,321)
NET ASSETS	**1,136,444**	1,169,388
CAPITAL AND RESERVES		
Share capital	**158,603**	151,728
Reserves	**977,841**	1,017,660
TOTAL EQUITY	**1,136,444**	1,169,388

42. 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 2019	148,388	88,531	266,960	8,342	626,501	–	(12,051)	7,991	1,134,662
Profit for the year	–	–	–	–	166,809	–	–	–	166,809
Other comprehensive income for the year	–	–	–	–	–	9,472	–	–	9,472
Total comprehensive income for the year	–	–	–	–	166,809	9,472	–	–	176,281
Issuance of scrip shares	4,698	83,153	–	–	–	–	–	–	87,851
Dividend recognised as distribution *(note 14)*	–	(144,799)	–	–	(52,278)	–	–	–	(197,077)
Repurchase of ordinary shares	(1,358)	(26,885)	–	1,358	(1,358)	–	–	–	(28,243)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	4,976	4,976
Shares vested under the share-award scheme	–	–	–	–	–	–	8,676	(8,676)	–
Purchase of shares for the purpose of share award scheme	–	–	–	–	–	–	(9,062)	–	(9,062)
At 31 December 2019	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

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.

43. EVENT AFTER THE END OF REPORTING PERIOD

On 4 March 2021, Jiangsu Xingda and Guizhou Tyre Co., Ltd. 貴州輪胎股份有限公司 ("Guizhou Tyre") entered into a subscription agreement for the subscription by Jiangsu Xingda of 15,873,015 A shares (being non-public offer shares) to be issued by Guizhou Tyre at the subscription price of RMB6.30 per share in cash pursuant to the non-public offer. Jiangsu Xingda held 1.7% in Guizhou Tyre upon completing the transaction.

Further details of the subscription are disclosed in the announcement of the Company dated 4 March 2021.

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
				(Restated)	
Revenue	5,469,176	6,886,914	7,558,367	7,581,625	**7,679,907**
Cost of sales	(4,273,864)	(5,609,213)	(6,235,889)	(6,117,657)	**(6,151,399)**
Gross profit	1,195,312	1,277,701	1,322,478	1,463,968	**1,528,508**
Other income	36,170	97,550	136,708	126,422	**159,225**
Government grants	31,333	29,638	13,798	13,731	**18,400**
Selling and distribution expenses	(443,532)	(475,918)	(512,584)	(544,248)	**(564,742)**
Administrative expenses	(303,896)	(319,117)	(361,892)	(382,226)	**(563,280)**
Other gains and losses, net	29,079	(17,116)	19,425	31,285	**(51,576)**
Impairment loss recognised under expected credit loss model, net of reversal	5,823	(14,746)	(15,112)	(25,343)	**7,351**
Research and development expenditure	(61,187)	(58,425)	(75,250)	(107,097)	**(108,485)**
Finance costs	(21,481)	(38,094)	(44,974)	(40,709)	**(80,961)**
Profit before tax	467,621	481,473	482,597	535,783	**344,440**
Income tax expense	(72,899)	(103,189)	(110,742)	(129,258)	**(168,992)**
Profit for the year	394,722	378,284	371,855	406,525	**175,448**
Profit attributable to:					
Owners of the Company	277,792	287,363	263,663	285,798	**114,996**
Non-controlling interests	116,930	90,921	108,192	120,727	**60,452**
	394,722	378,284	371,855	406,525	**175,448**

FINANCIAL SUMMARY

	As at 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
			(Restated)	(Restated)	
ASSETS AND LIABILITIES					
Total assets	10,872,892	12,361,802	12,689,683	13,699,309	**15,694,797**
Total liabilities	(3,624,317)	(4,928,969)	(5,269,377)	(6,024,280)	**(8,115,755)**
	7,248,575	7,432,833	7,420,306	7,675,029	**7,579,042**
Equity attributable to owners of the Company	5,228,300	5,367,327	5,359,480	5,566,657	**5,657,611**
Non-controlling interests	2,020,275	2,065,506	2,060,826	2,108,372	**1,921,431**
	7,248,575	7,432,833	7,420,306	7,675,029	**7,579,042**