

# 2022

ANNUAL REPORT



## XINGDA INTERNATIONAL HOLDINGS LIMITED

### 興達國際控股有限公司

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

# CONTENTS

	Page(s)
Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Directors' and Senior Management's Biographies	16
Corporate Governance Report	19
Directors' Report	38
2022 Environmental, Social and Governance (ESG) Report	59
Independent Auditor's Report	138
Consolidated Statement of Profit or Loss and Other Comprehensive Income	143
Consolidated Statement of Financial Position	144
Consolidated Statement of Changes in Equity	146
Consolidated Statement of Cash Flows	148
Notes to the Consolidated Financial Statements	150
5 Years Financial Summary	242



# 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  
24th Floor, Admiralty Centre I  
18 Harcourt Road  
Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL BANKERS

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

## SHARE REGISTRARS AND TRANSFER OFFICES

### Principal:

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

## STOCK CODE

01899

## WEBSITE

[www.irasia.com/listco/hk/xingda/index.htm](http://www.irasia.com/listco/hk/xingda/index.htm)



# FINANCIAL HIGHLIGHTS

	<b>2022</b>	2021	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>OPERATING RESULTS</b>			
Revenue	<b>10,812.0</b>	10,645.3	+1.6%
Gross profit	<b>2,273.5</b>	2,064.9	+10.1%
EBITDA <sup>(1)</sup>	<b>1,521.6</b>	1,192.8	+27.6%
Profit for the year	<b>558.2</b>	307.0	+81.8%
Profit attributable to owners of the Company	<b>348.4</b>	218.9	+59.2%
Earnings per share – basic (RMB cents)	<b>20.99</b>	13.46	+55.9%
Earnings per share – diluted (RMB cents)	<b>20.88</b>	13.37	+56.2%

	<b>2022</b>	2021	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>FINANCIAL POSITION</b>			
Total assets	<b>21,010.0</b>	19,802.2	+6.1%
Total liabilities	<b>13,086.2</b>	12,191.6	+7.3%
Net assets	<b>7,923.8</b>	7,610.6	+4.1%
Equity attributable to owners of the Company	<b>5,864.5</b>	5,699.9	+2.9%

	<b>2022</b>	2021
<b>KEY RATIOS</b>		
Gross profit margin <sup>(2)</sup>	<b>21.0%</b>	19.4%
EBITDA margin <sup>(3)</sup>	<b>14.1%</b>	11.2%
Return on equity <sup>(4)</sup>	<b>5.9%</b>	3.8%
Current ratio <sup>(5)</sup>	<b>1.00</b>	1.10
Gearing ratio <sup>(6)</sup>	<b>32.8%</b>	28.0%
Net debts to equity ratio <sup>(7)</sup>	<b>103.5%</b>	84.9%

Notes:

- (1) It is arrived at profit for the year before finance costs, income tax expense, depreciation and amortisation.
- (2) Gross profit divided by revenue.
- (3) EBITDA divided by revenue.
- (4) Profit for the year attributable to owners of the Company divided by equity attributable to owners of the Company.
- (5) Current assets divided by current liabilities.
- (6) Total debts (borrowings) divided by total assets.
- (7) Total debts (borrowings) less cash and bank balances divided by equity attributable to owners of the Company.





## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") for the year ended 31 December 2022.

With the epidemic situation volatile in China, the continuing conflict between Russia and Ukraine, and increasing inflationary pressure weighing on global economic growth, the Group's business still recorded growth in 2022. During the year, the Group's revenue increased by 1.6% year-on-year to RMB10,812 million (2021: RMB10,645 million). Gross profit grew by 10.1% year-on-year to RMB2,274 million (2021: RMB2,065 million) and gross profit margin also increased, by 1.6 percentage points, year-on-year to 21.0% (2021: 19.4%) which was mainly attributable to the greater portion in overseas markets sales with higher gross profit margin and major raw material prices trending down. Profit attributable to owners of the Company rose by 59.2% year-on-year to RMB348 million (2021: RMB219 million). Basic earnings per share were RMB20.99 cents (2021: RMB13.46 cents). The Board of Directors recommended payment of a final dividend of 15.0 HK cents per share for the year ended 31 December 2022 (2021: 15.0 HK cents per share).

Affected by the COVID-19 flare-ups in China since March 2022, industrial production was affected, economic activities and the logistics industry were hard hit. With supply chains interrupted dampening automobile output, correspondingly production and sale of radial tire cords in China declined. Nevertheless, came middle of the year, when the government implemented a series of anti-epidemic measures and policies to stabilize the economy, industries started to resume production and the automobile consumption market also gradually warmed up. In particular, the average monthly increase in car parc in the third quarter of 2022 was significantly higher than that in the first half year, reflective of the robust development of the automobile industry and that phenomenon bore well on demand in the auxiliary market. However, in the fourth quarter, automobile production and sale declined slightly both quarter-on-quarter and year-on-year. As in the first half of 2022, domestic tire companies had to temporarily suspended operation and, came the second half of 2022, they faced pressures from shrinking demand and disrupted supply, and that in turn affected sale of radial tire cords to a certain extent.

As for overseas markets, in the first half of 2022, for the first time more than 50% of the total tire output, a historical high amount, in China were exported, and that pushed up also the export sales of radial tire cords. Starting in the third quarter, overseas demand gradually flattened. As a result, China's annual revenue from export of radial tire cords saw growth in 2022.

On 7 December 2022, the Group announced that CLSA Limited, on behalf of the joint offerors, would make a pre-conditional voluntary cash partial offer to qualifying shareholders to acquire up to 80,000,000 offer shares at the offer price of HK\$1.88 per offer share. After the partial offer is completed, the joint offerors and parties acting in concert with them will collectively own not less than 50.01% of voting rights in the Company, which will allow them to exercise statutory control of the Company. For the Company, it will have greater flexibility in managing its capital structure, and the offer also evidenced the confidence the management has in the Group's prospects.

## CHAIRMAN'S STATEMENT

Looking ahead, people and logistics flows are expected to be smoother when situations return to normal. That plus the government's active fiscal policies and healthy monetary policies are expected to see growth rate of the Chinese economy climb. As domestic and overseas economic activities pick up, the tire replacement cycle will also gain speed and push up price and volume in the global tire market, and in turn drive development of the radial tire cord industry. With proven manufacturing advantages, tire companies in China will remain competitive, allowing them to gain larger shares in overseas markets and in the long run drive the sustainable development of the radial tire cord industry.

In 2023, the Group will continue to monitor situation of the epidemic, seize opportunities, boost production capacity and keep pace with economic recovery, so as to meet domestic radial tire cord demands. It will also watch closely the global economic development trend, flexibly deploy its business worldwide, actively expand overseas markets and explore new horizons.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to shareholders, the management and all employees for their contribution to the Group. The Group will strive to maintain steady growth, further consolidate its market leadership and bring long-term investment returns to shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

During the year of 2022, the resurgence of the COVID-19 pandemic in China caused an impact on economic activities and disruption to logistics, which correspondingly led to the decline in production of radial tires and radial tire cords. According to China Rubber Industry Association data, the country's tire output in 2022 decreased by approximately 6.7% to approximately 667 million units, of which radial tires output decreased by 3.3% year-on-year to approximately 635 million units, and tire radialization rate increased to 95.2% (2021: approximately 94%). During the year, output of radial tires for trucks was approximately 124 million units, down by 11.4% against the same period last year and that for passenger cars totaled at approximately 511 million units, down by 1.2% year-on-year.

Under the impact of the epidemic, China's GDP in 2022 still recorded a growth by 3.0% to approximately RMB121 trillion, which lagged behind the growth target set at the beginning of the year, but still beat market expectations. The economy was also generally stable. Statistics from the Ministry of Public Security of the PRC revealed that, in the year under review, China's car parc increased by about 5.6% year-on-year to 320 million. The stable climb in car parc is expected to support demand in the domestic tire replacement market in the long run.

## BUSINESS REVIEW

In 2022, with the Chinese economy affected by COVID-19 flare-ups, domestic demand for radial tire cords declined. However, demand in overseas markets maintained steady growth and benefited the Group's business. During the year, the Group recorded total sales volume of 1,054,700 tonnes, a decrease of 2.1% year-on-year, of which 834,800 tonnes were radial tire cords, 1.9% less year-on-year, accounting for 79.2% of the Group's total sales volume (2021: 79.0%). As for bead wires, 127,700 tonnes were sold, down 2.1%, making up 12.1% of the Group's total sales volume (2021: 12.1%). Sales volume of hose wires and other wires declined by 3.8% to 92,200 tonnes, accounting for 8.7% of the Group's total sales volume (2021: 8.9%).

By segment, due to the decrease in production and demand of radial tires for trucks as a result of slowing down domestic economic activities, the Group's sales volume of radial tire cords for trucks decreased by 6.8% year-on-year to 470,300 tonnes. As for overseas market demand especially on the radial tire cords for passenger cars, still kept the momentum, which led to the sales volume of radial tire cords for passenger cars climbed 5.1% year-on-year to 364,500 tonnes.

### Sales Volume

	<b>2022</b>	2021	Change
	<b>Tonnes</b>	Tonnes	
Radial tire cords	<b>834,800</b>	851,400	-1.9%
– For trucks	<b>470,300</b>	504,600	-6.8%
– For passenger cars	<b>364,500</b>	346,800	+5.1%
Bead wires	<b>127,700</b>	130,400	-2.1%
Hose wires and other wires	<b>92,200</b>	95,800	-3.8%
Total	<b>1,054,700</b>	1,077,600	-2.1%



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW – CONTINUED

### Sales Volume – Continued

In China, the Group sold 575,300 tonnes of radial tire cords, 5.2% less during the year relative to the last corresponding period (2021: 607,000 tonnes), the main reason being the ongoing COVID-19 pandemic in China affecting the economic activities and the investment in infrastructure projects, and in turn production and sales of radial tires and auxiliary demand. Demand in overseas markets, however, was relatively strong. The Group sold 259,500 tonnes of radial tire cords, approximately 6.2% more, in 2022 (2021: 244,400 tonnes), mainly because of stable demand from overseas tire manufacturers. For the year, sales volume in the domestic and overseas markets constituted 68.9% and 31.1%, respectively, of the Group's total radial tire cords sales volume (2021: 71.3% and 28.7%).

As at 31 December 2022, the Group's annual production capacity of radial tire cords rose by 3.2% year-on-year to 972,100 tonnes. The Jiangsu factory and Shandong factory in particular saw their annual output capacity increased by 0.5% and 7.7% to 742,000 tonnes and 155,100 tonnes, respectively. As for the factory in Thailand, annual output capacity increased by 25.0% to 75,000 tonnes. The annual production capacity of bead wires, hose wires and other wires rose to 169,700 tonnes and 103,800 tonnes, respectively. Overall capacity utilization rate of the Group's plants in 2022 was 84.7% (2021: 92.2%).

	<b>2022</b>	<b>2022</b>	2021	2021
	<b>Production</b>	<b>Utilization</b>	Production	Utilization
	<b>Capacity</b>	<b>Rate</b>	Capacity	Rate
	<b>(Tonnes)</b>		<b>(Tonnes)</b>	
Radial tire cords	<b>972,100</b>	<b>86.1%</b>	942,000	93.5%
Bead wires	<b>169,700</b>	<b>74.4%</b>	166,500	80.1%
Hose wires and other wires	<b>103,800</b>	<b>88.6%</b>	98,500	98.7%
Overall	<b>1,245,600</b>	<b>84.7%</b>	1,207,000	92.2%

To bolster production capacity and enlarge its business footprint, the Group has continued to devote resources to enhance product research and development, reform product technology and provide customized radial tire cords to customers for meeting their needs. In 2022, Xingda developed 23 new radial tire cords and 15 new bead wires and other wires.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

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

<i>RMB in million</i>	<b>2022</b>	<b>Proportion</b>	2021	Proportion	Change
Radial tire cords	<b>9,265.4</b>	<b>85.7%</b>	9,019.5	84.7%	+2.7%
– For trucks	<b>5,209.4</b>	<b>48.2%</b>	5,494.6	51.6%	-5.2%
– For passenger cars	<b>4,056.0</b>	<b>37.5%</b>	3,524.9	33.1%	+15.1%
Bead wires	<b>833.6</b>	<b>7.7%</b>	869.7	8.2%	-4.2%
Hose wires and other wires	<b>713.0</b>	<b>6.6%</b>	756.1	7.1%	-5.7%
Total	<b><u>10,812.0</u></b>	<b><u>100.0%</u></b>	<u>10,645.3</u>	<u>100.0%</u>	<u>+1.6%</u>

During the year under review, the Group's revenue increased by 1.6% year-on-year to RMB10,812.0 million (2021: RMB10,645.3 million), mainly due to the rise in average selling prices of the Group's products and the increase in sales volume from overseas markets which largely offset the decline in domestic market demand and sales volume.

### Gross profit and gross profit margin

The Group's gross profit increased by RMB208.6 million or 10.1% year-on-year to RMB2,273.5 million (2021: RMB2,064.9 million), with gross profit margin at 21.0% (2021: 19.4%), representing a year-on-year increase of 1.6 percentage points. This was mainly due to increase in the proportion of overseas sales of the Group's products which generally have higher gross profit margin and lower major raw materials average costs in 2022.

### Other income

Other income increased by RMB24.0 million or 12.6% to RMB213.8 million (2021: RMB189.8 million), mainly due to the sales of other materials of RMB27.7 million (2021: nil) recorded in 2022.

### Government grants

Government grants increased by RMB2.1 million or 10.2% to RMB22.7 million (2021: RMB20.6 million), due to an increase in subsidies from the local government in China in 2022.

### Recognition of impairment losses under expected credit loss model

Recognition of impairment losses under expected credit loss model decreased by RMB5.0 million or 66.7% to RMB2.5 million in 2022 (2021: RMB7.5 million). Regarding the impairment losses of RMB2.5 million in 2022, it was due to the increase of impairment loss recognised on trade receivables under expected credit loss model as at 31 December 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

### Other gains and losses, net

Other gains and losses, net increased by RMB236.0 million or 282.0% from net loss of RMB83.7 million in 2021 to net gain of RMB152.3 million in 2022. It was mainly due to the net foreign exchange gain of RMB163.0 million recorded in 2022 (2021: net foreign exchange loss of RMB62.0 million).

### Distribution and selling expenses

Distribution and selling expenses increased by RMB61.7 million or 6.2% to RMB1,061.0 million (2021: RMB999.3 million), mainly due to the higher transportation and storage costs as well as agency fees under higher export sales volume.

### Administrative expenses

Administrative expenses decreased by RMB11.2 million or 2.4% to RMB452.2 million (2021: RMB463.4 million), mainly due to lower consultancy and professional fees recorded in 2022.

### Research and development expenditure

Research and development expenses increased by RMB30.4 million or 21.9% to RMB169.2 million (2021: RMB138.8 million), mainly because the Group had more new product research and development projects in 2022 and continued to invest more resources to boost production technique advancement.

### Other expense

Other expense of RMB33.8 million (2021: nil) mainly includes the cost of other materials sold in 2022.

### Finance costs

If the finance costs including the interests capitalised in the cost of qualifying assets, they would have been increased by RMB76.9 million or 46.5% to RMB242.1 million (2021: RMB165.2 million). The increase was mainly due to the rise of average balance of bank borrowings and effective interest rates on variable-rate borrowings.

### Income tax expense

The Group's income tax expense increased by RMB74.4 million or 66.4% to RMB186.4 million (2021: RMB112.0 million), and with an effective tax rate of 25.0% (2021: 26.7%). The increase in income tax expense was mainly due to the current tax increased by RMB46.1 million or 35.7% to RMB175.1 million (2021: RMB129.0 million) due to higher assessable profits in 2022. If the withholding tax paid was excluded, the effective tax rate would become 21.7% (2021: 21.7%).

### Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2022 increased by RMB251.2 million or 81.8% to RMB558.2 million (2021: RMB307.0 million).





# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year, 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 acquisition of property, plant and equipment and payment of dividends and income tax.

Bank balances and cash including bank deposits of the Group increased by RMB112.5 million or 15.8% from RMB712.4 million as at 31 December 2021 to RMB824.9 million as at 31 December 2022. The increase was mainly due to the cash generated from operating activities of RMB1,580.9 million and financing activities of RMB306.4 million respectively and the increase in cash under the effect of foreign exchange rates changes of RMB27.1 million exceeding the cash used in investing activities of RMB1,801.9 million.

Borrowings increased by RMB1,342.3 million or 24.2% to RMB6,891.8 million as at 31 December 2022 from RMB5,549.5 million as at 31 December 2021. The bank borrowings carry interest at fixed rates from 1.35% to 4.05% (2021: 0.60% to 4.85%) and variable rates at 2.20% above 1-month HIBOR and 0.25% to 1.00% above 1-year Loan Prime Rate (2021: 1-month HIBOR+2.20%).

As at 31 December 2022, the Group's current assets decreased by RMB677.5 million or 5.5% to RMB11,644.0 million (31 December 2021: RMB12,321.5 million). Current liabilities increased by RMB469.5 million or 4.2% to RMB11,624.2 million (31 December 2021: RMB11,154.7 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.00 times (31 December 2021: 1.10 times). The decrease was mainly caused by the increase in borrowings – due within one year and the decrease in term deposits included in the current assets. The gearing ratio (being defined as total debts to total assets) as at 31 December 2022 was 32.8% (31 December 2021: 28.0%).

## FOREIGN EXCHANGE RISK

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

## CAPITAL EXPENDITURE

For the year ended 31 December 2022, capital expenditure for property, plant and equipment amounted to RMB1,633.0 million (2021: RMB1,944.6 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL COMMITMENTS

As at 31 December 2022, the Group had made a capital commitment of approximately RMB272.4 million for acquisition of property, plant and equipment and freehold land contracted for but not provided in the consolidated financial statements (31 December 2021: RMB360.0 million for acquisition of property, plant and equipment). The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted as at 31 December 2022 and 31 December 2021. The capital commitment is expected to be met by the internal resources of the Group and borrowings.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022 and 31 December 2021.

## PLEDGE OF ASSETS

As at 31 December 2022, bank borrowings were secured by pledged term deposits, leasehold lands and bills receivable of the Group amounting to RMB1,978.6 million, RMB199.9 million and RMB163.4 million, respectively (31 December 2021: secured by term deposits, leasehold lands and bills receivable amounting to RMB2,101.6 million, RMB204.0 million and RMB91.6 million, respectively).

## SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan Holdings Limited (formerly known as Prinx Chengshan (Cayman) Holding Limited) (“Prinx Chengshan”, stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK\$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK\$71.4 million. The shares held by Xingda accounted for 1.9% of the total issued shares of Prinx Chengshan as at 31 December 2022. 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 RMB6.2 million was recorded during the year ended 31 December 2022 (2021: loss of RMB13.1 million). For the year ended 31 December 2022, the dividend income received from Prinx Chengshan was RMB1.9 million (2021: RMB1.9 million).

The fair value of the investment in Prinx Chengshan as at 31 December 2022 was RMB65.1 million (2021: RMB71.3 million). The above mentioned investment accounted for 0.3% and 0.4% of the total assets value of the Group as at 31 December 2022 and 31 December 2021 respectively.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS – CONTINUED

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

In December 2021, Jiangsu Xingda sold 3,152,615 shares of Guizhou Tyre. In 2022, Jiangsu Xingda further sold all the remaining 12,720,400 shares of Guizhou Tyre. Guizhou Tyre is a joint stock limited company incorporated in the PRC principally engaged in the design, research and development, manufacture and sale of tires. The issued A shares of Guizhou Tyre are listed on the Shenzhen Stock Exchange (stock code: 000589). As at 31 December 2022, the above mentioned investment did not exist and a loss on disposal of financial assets at fair value through profit or loss of RMB1.9 million was recorded during the year ended 31 December 2022 (2021: loss on change in fair value of financial assets at fair value through profit or loss of RMB1.1 million). For the year ended 31 December 2022, the dividend income received from Guizhou Tyre was RMB1.3 million (2021: RMB2.4 million).

The fair value of the investment in Guizhou Tyre as at 31 December 2022 was nil (31 December 2021: RMB78.2 million). The above mentioned investment accounted for 0.4% of the total assets value of the Group as at 31 December 2021.

Save as disclosed above, the Group had no other significant investments as at 31 December 2022 and 31 December 2021 respectively.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures during the years ended 31 December 2022 and 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES

As at 31 December 2022, the Group had approximately 7,400 full time employees (31 December 2021: approximately 7,800). Total staff costs including directors' remuneration for the year ended 31 December 2022 was RMB905.8 million (2021: RMB909.0 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as awareness of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, Jiangsu Xingda, Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and Taizhou Xingda Specialized Wires Co., Ltd. ("Taizhou Xingda") contribute 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the year ended 31 December 2022, the aggregate amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB20.3 million (2021: RMB14.9 million).

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES – CONTINUED

In 2010, 5,000,000 shares of the Company (the “First Batch Shares”) were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the “Second Batch Shares”) were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the “Third Batch Shares”). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the “Fourth Batch Shares”). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the “Fifth Batch Shares”). In 2020, 732,018 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. In 2021, 665,471 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. For the year ended 31 December 2021, 102,000 Fourth Batch Shares were unvested and added to the Fifth Batch Shares. As at 31 December 2022, the balance of the Fifth Batch Shares were 2,139,665 shares.

As at 31 December 2022, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares, the Fourth Batch Shares and one-third of the Fifth Batch Shares have been vested with selected employees. The remaining 2,139,665 Fifth Batch Shares are expected to be vested with selected employees in the end of March 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

At the end of 2022, the Chinese government issued the “20 New Measures for Optimizing COVID-19 Response” (「二十條」) and “10 New Measures” (「新十條」). Active efforts have since been made by the government to promote work and production, keep the economic cycle smooth, drive recovery of market demand and strengthen international exchanges as countries worldwide reopen their borders. The Central Economic Work Conference held in December pointed out that despite the complex and harsh external environment and rising stagflation risk in the global economy, the basics China has for bracing long-term economic growth remained unchanged. It stressed the need to do well in stabilizing growth, employment and commodity prices in 2023. In light of infrastructure construction speeding up, financing for major projects increasing and logistics demand expected to recover, the Group remains cautiously optimistic about development of the radial tire cord industry.

Regarding growing domestic demand, new energy vehicles is a key industry mentioned at the Central Economic Work Conference and also one of those selected under the “Made in China 2025” (「中國製造2025」) policy that has seen the most significant development. According to China Association of Automobile Manufacturers forecast, nine million new energy vehicles will be sold in the country in 2023, a 35% increase year-on-year. With radial tires being the dominant choice in the market and new energy vehicles developing rapidly, radial tire cords will be presented with new opportunities. At the same time, raw materials and freight rates staying stable after coming down, are in favor of boosting overseas radial tire cord demands.

Looking forward, Xingda will keep a close eye on global economic development and adhere to the development principle of seeking steady progress. It will focus on improving product quality and research and development innovation and enhancing product competitiveness, so as to grasp opportunities in the recovering industry and expanding market, and fully explore domestic market potential while actively seizing overseas market share. In 2023, the Group will continue to draw on its advantages as an industry leader to steer new industry development and better meet the needs of consumers and market development.



# DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

## EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 73, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He is the chairman of each of the nomination committee and the manufacturing and operations committee of the Company, and a member of each of the executive committee and investment and international development committee of the Company. He has also been a director of Faith Maple International Ltd. ("Faith Maple") since 16 June 2004, a director of 興達國際(上海)特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.\*) ("Xingda International (Shanghai)") since 18 September 2006, a director of 江蘇興達特種金屬複合線有限公司 (Jiangsu Xingda Special Cord Co., Ltd.\*) ("Xingda Special Cord") since 13 June 2007 and a director of 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.\*) ("Shandong Xingda") since 27 June 2011. Both Faith Maple and Xingda International (Shanghai) are wholly-owned subsidiaries of the Company whereas Xingda Special Cord is a non-wholly owned subsidiary of the Company. He joined Xingda Steel Tyre Cord Group, the predecessor of 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.\*) ("Jiangsu Xingda") since May 1994 and has been a director of Jiangsu Xingda since its establishment in 1998. He is also the sole director of Great Trade Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Liu was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)\*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by the State Council in 2005. He was recognized as 中國橡膠工業科學發展帶頭人 (Leader in Technology Development in China Rubber Industry\*) by the China Rubber Industry Association in April 2005 and was awarded 科技進步獎一等獎 (the Technology Improvement Award (First Class)\*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by 中國石油和化學工業協會 (China Petroleum and Chemical Industry Association\*) in December 2003 and 全國五一勞動節獎章 (the National 1 May Labor medal\*) by 中華全國總工會 (All China Federation of Trade Unions\*) in April 2003. He is a senior engineer. Mr. Liu has more than 27 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 46, has been an executive Director since August 2005. He is a member of the manufacturing and operations committee of the Company. He has also been a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. He is also the sole director of In-Plus Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan\*) of 中國人民解放軍 (the People's Liberation Army\*) in 2004. In 2009, he graduated from Fudan University with a master's degree in business administration. Mr. Liu has approximately 27 years of experience in the radial tire cord manufacturing industry. He is the son of Mr. Liu Jinlan, who is an executive Director of the Company.

# DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

## EXECUTIVE DIRECTORS – CONTINUED

Mr. TAO Jinxiang (陶進祥), aged 60, has been an executive Director since August 2005. He is a member of each of the manufacturing and operations committee and investment and international development committee of the Company. He has also been a director of Xingda International (Shanghai) since 18 September 2006, a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 6 June 2016. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in May 1994, and since the establishment of Jiangsu Xingda in 1998, he has been a vice president and a director of the sales and marketing department of Jiangsu Xingda with the overall responsibility of formulating sales and marketing plans. He is also the sole director of Perfect Sino Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. He attended senior sales and marketing executives training classes organized by 職業經理訓練中心 (Executives Training Centre\*) of Tsinghua University and obtained a certificate in May 2004. Mr. Tao has more than 27 years of experience in the radial tire cord manufacturing industry.

Mr. ZHANG Yuxiao (張宇曉), aged 53, has been an executive Director and Chief Financial Officer of the Company since August 2005. He is the chairman of each of the executive committee and investment and international development committee of the Company. He has also been a director of Jiangsu Xingda since 25 January 2003 a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 27 June 2011. He was also a director of Xingda International (Shanghai) from 18 September 2006 to 11 July 2013. He joined Jiangsu Xingda in January 2000 and has been a vice president of Jiangsu Xingda since then. He is responsible for accounting and finance and international market development. From 1995 to 2000, he was the vice president of Clemente Capital (Asia) Limited and was responsible for investment management. Mr. Zhang obtained a bachelor's degree in sciences from Fudan University in July 1991. Mr. Zhang has more than 22 years of experience in the radial tire cord manufacturing industry.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 66, has been an independent non-executive Director since August 2005. He is the chairman of the audit committee of the Company, and a member of each of the remuneration and management development committee and the nomination committee of the Company. Mr. Koo has many years of experience in investment banking and professional accounting. Mr. Koo was the independent non-executive director of Good Friend International Holdings Inc. ("Good Friend") from December 2005 to 9 January 2022 (in respect of Good Friend, the withdrawal of the listing of the shares of Good Friend on the Stock Exchange became effective on 14 December 2021 and the withdrawal of the listing of the Taiwan depository receipts on the Taiwan Stock Exchange became effective on 13 December 2021). Mr. Koo serves currently as an independent non-executive director of Li Ning Company Limited and Winfull Group Holdings Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). While Mr. Koo has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent non-executive director in various public listed companies. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States of America.





# DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

## INDEPENDENT NON-EXECUTIVE DIRECTORS – CONTINUED

Mr. William John SHARP, aged 81, has been an independent non-executive Director since August 2005. He has been appointed as the Vice Chairman of the Board with effect from 1 January 2016. He is the chairman of the remuneration and management development committee of the Company and a member of the audit committee of the Company. Mr. Sharp is the president of Global Industrial Consulting, a consulting firm. He is also an independent director of China Zenix Auto International Limited, an NYSE-listed manufacturer of commercial vehicle wheels. He joined The Goodyear Tire & Rubber Company in 1964 and was the President of its North American Tire group between 1999 and 2000. Prior to that, he was the President of its Global Support Operations between 1996 and 1999, and the President of Goodyear Europe from 1992 to 1996. While Mr. Sharp has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent director in another public listed company. Mr. Sharp graduated with a bachelor's degree of science, majoring in industrial engineering, from The Ohio State University in 1963 and has more than 55 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 79, has been an independent non-executive Director since August 2005. She is a member of each of the audit committee and nomination committee of the Company. She has served in various positions in Beijing Research and Design Institute of Rubber Industry since 1965. She was the deputy dean in charge of technology research and development between 1995 and 2003. She was also the person in charge of the “高速、低滾動阻力子午線輪胎系列產品生產技術開發” (Development of Production Techniques for Radial Tyre Products of High Speed and Low Rolling Resistance\*) project, one of the “九五”國家重點科技攻關項目 (Key Technologies Research and Development Program for the Ninth “Five-Year Plan”\*) in 1995. Ms. Xu has been the deputy chairman of the China Rubber Industry Association since 2004. She has been the head of 骨架材料專業委員會 (the skeleton materials committee\*) and 橡膠助劑專業委員會 (the rubber chemicals committee\*) since 2002 and 2001, respectively. Since May 2007, she has served as an independent director of China Sunsine Chemical Holdings Ltd., a company listed on the Singapore Exchange Limited. While Ms. Xu has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that she is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as she has displayed her competence in serving as an independent director in another public listed company. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 55 years of experience in technology research relating to rubber chemicals.

## COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 47, 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 23 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

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022, except for the following:–

Code provision C.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 investments as well as evaluation of the performance of the senior management. The Board has reserved its decision over the major acquisitions and disposals, annual budgets, interim and annual results, recommendations on directors' appointment or re-appointment, approval of major capital investments and other significant operational and financial matters of the Group. The Board has to act in the best interest of the Company and its shareholders as a whole. The Board has delegated the day-to-day management and operations of the Group's business to the senior management of the Group. The senior management regularly communicated with the Board about the operating results of the Group in order to ensure the Group's strategies were properly implemented. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

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.



# CORPORATE GOVERNANCE REPORT

## THE BOARD – CONTINUED

### Composition and responsibilities – *Continued*

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

The Board currently comprises seven members, including four executive Directors and three independent non-executive Directors. The executive Directors are Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao. The independent non-executive Directors are Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua. The biographical details of the Directors are set out on pages 16 to 18 of the annual report. Mr. Liu Jinlan, being the chairman of the Board and an executive Director, is the father of Mr. Liu Xiang, an executive Director. Save for the aforesaid, there is no financial, business, family or other material or relevant relationships among the members of the Board.

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

The 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.

# CORPORATE GOVERNANCE REPORT

## 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 2022, 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 2022:

	AGM	Board	Remuneration and Management			Executive Committee	Manufacturing and International	Investment and International Development Committee
			Audit Committee	Development Committee	Nomination Committee		Operations Committee	
<b>Executive Directors</b>								
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
<b>Independent Non-executive Directors</b>								
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.



# CORPORATE GOVERNANCE REPORT

## 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.

### Board independence

The Group has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. During the year, the Board has reviewed the implementation and effectiveness of the following mechanisms:

- a) Three out of all seven Directors are independent non-executive Directors, which fulfills the requirement of the Listing Rules that at least one-third of the Board members are independent non-executive Directors.
- b) The Audit Committee, Remuneration and Management Development Committee and Nomination Committee consists of certain independent non-executive Directors to ensure their independent views are available in the above-mentioned committees.
- c) The Nomination Committee have assessed the independence of all the existing independent non-executive Directors during the Nomination Committee meeting held in 2022. No irregularities on the assessment result and it was presented to the Board for reference thereafter.
- d) Except for the assessment from the Nomination Committee, each independent non-executive Director is also required to actively inform the Company Secretary and other Board members as soon as practicable if there is any change in his/her personal particulars that may affect his/her independence.
- e) All Independent non-executive Directors are encouraged to freely express their own personal views in the Board meetings and the relevant Committee meetings which they participate in.
- f) All Independent non-executive Directors are required to submit a written confirmation to the Company on an annual basis to confirm the independence on each of them.
- g) All Independent non-executive Directors are entitled to seek, where necessary, advice from external independent professional bodies at the Company's expense.
- h) A Director (including the independent non-executive Directors) who has material interest in any contract, transaction or arrangement of the Group shall abstain from voting in the Board meetings for approving those contract, transaction or arrangement of the Group.



# CORPORATE GOVERNANCE REPORT

## THE BOARD – CONTINUED

### 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. For the year ended 31 December 2022, all independent non-executive Directors have served the Company for more than 9 years and their further re-appointment shall be subject to a separate resolution to be approved by shareholders in accordance with the requirements of the Corporate Governance Code.

Pursuant to Article 87 of the articles of association of the Company ("Articles of Association"), Mr. Liu Jinlan, Mr. Tao Jinxiang and Mr. William John Sharp will retire by rotation. Mr. Tao Jinxiang, decided not to offer himself for re-election due to his desire to retire at his age of 60 to devote more time to his personal endeavours. Further, all the independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (appointed with effect from 23 August 2005), Mr. William John Sharp (appointed with effect from 23 August 2005) and Ms. Xu Chunhua (appointed with effect from 23 August 2005) have served more than nine years on the Board, the Company plans to appoint a new independent non-executive Director at the forthcoming annual general meeting to comply with Code B.2.4 of the Corporate Governance Code. Having taken into account of the joining of the new independent board member and his reaching of age of over 80, Mr. William John Sharp decided to take the opportunity to retire from his position as an independent non-executive Director and not to offer himself for re-election at the forthcoming annual general meeting of the Company. Mr. Liu Jinlan, being eligible, will offer himself for re-election at the forthcoming annual general meeting of the Company.

### Training and continuous professional development

The Directors acknowledge the need to develop and refresh their knowledge and skills by participating in training and continuous professional development courses. During the year, the Company arranged and provided suitable in-house training courses for all Directors in relation to compliance with the new Corporate Governance and ESG requirements, recent cases on breach of Listing Rules and points to note during the offer period of a partial offer. The training records kept and provided by the Directors in the year 2022 are as follows:

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



# CORPORATE GOVERNANCE REPORT

## THE BOARD – CONTINUED

### Training and continuous professional development – *Continued*

During the year ended 31 December 2022, the Company updated all Directors on the Company's monthly performance, position and prospects by providing them with financial data including monthly management accounts and production plan.

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

### Indemnification of directors and officers

The Company has arranged for appropriate Directors' and officers' liability insurance throughout the year ended 31 December 2022 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.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES – CONTINUED

### Audit Committee – *Continued*

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

- (a) to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgements contained in them;
- (e) to review the Company's financial controls, internal control and risk management systems;
- (f) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (g) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (h) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (i) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (j) to report to the Board on the matters set out in the terms of reference for the Audit Committee; and
- (k) to review the employees' concerns of any possible improprieties in financial reporting, internal control or other matters and to ensure appropriate follow-up actions were properly took up, and to establish a whistleblowing policy and system for employees and those who deal with the Company or its subsidiaries to raise concern about possible improprieties.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES – CONTINUED

### Audit Committee – *Continued*

During the year ended 31 December 2022, 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 2021 and the unaudited financial statements for the six months ended 30 June 2022;
- 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 2022;
- reviewing the 2021 Environmental, Social and Governance Report;
- reviewing any improprieties raised by the employees under the whistleblowing system regularly and ensuring proper independent investigation was followed; and
- reviewing the risk management and internal control systems of the Group.

On 31 March 2023, the Audit Committee met with a consulting firm to review the 2022 Environmental, Social and Governance Report and the Audit Committee met with the external auditor to review the audited financial statements for the year ended 31 December 2022.

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

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES – CONTINUED

### Remuneration and Management Development Committee

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

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

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

The Remuneration Committee met one time during the year ended 31 December 2022. 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 2021;
- 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 2022 with reference to the remuneration package of the Board in 2021 and the Group’s estimated financial performance for the year ended 31 December 2022; and
- approving the vesting of share awards to certain directors and employees of the Group upon the achievement of financial performance target of the Group.





# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES – CONTINUED

### Remuneration and Management Development Committee – *Continued*

Subsequent to the year ended 31 December 2022, the Remuneration Committee held one meeting on 1 March 2023. 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 2022;
- 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 2023 with reference to the remuneration package of the Directors in 2022 and the Group's estimated financial performance for the year ending 31 December 2023; and
- resolved that the total remuneration and compensation of the Directors and senior management paid for the year ended 31 December 2022 was approved, ratified and recommended to the Board.

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

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

	<b>Number of individuals</b>
RMB1,000,000 or below	8
RMB1,000,001–RMB2,000,000	3
RMB2,000,001–RMB3,000,000	1
RMB3,000,001–RMB4,000,000	1
RMB5,000,001–RMB6,000,000	2
RMB6,000,001–RMB7,000,000	1
RMB9,000,001–RMB10,000,000	1

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES – CONTINUED

### Nomination Committee

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

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

- (a) to evaluate the credentials of the candidates for directorship, to make recommendations to the Board regarding candidates to fill vacancies on the Board and to ensure that no Director or any of his associates is involved in approving his/her or any of his/her associates' nomination;
- (b) to review the structure, size and composition (including the skills, knowledge and experience required) of the Board regularly;
- (c) to carry out the process of selecting and recommending candidates for directorship with reference to the selection guidelines which include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills;
- (d) to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the chairman of the Company;
- (e) to assess the independence of independent non-executive Directors, having regards to the requirements under the Listing Rules; and
- (f) to review its own performance, constitution and terms of reference on a regular basis.

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

During the year ended 31 December 2022, 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 2022.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES – CONTINUED

### Nomination Committee – *Continued*

#### *Board Diversity Policy*

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

“Board Diversity” can be achieved through consideration of a number of factors and measure objectives, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In bringing in 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 2022, the Nomination Committee members have reviewed the structure, size composition and diversity of the Board and the Policy to ensure its effectiveness.

#### *Nomination Policy*

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

- a. the candidate’s reputation for integrity;
- b. the candidate’s accomplishment and experience in the radial tire cord industry;
- c. the candidate’s commitment in respect of available time and relevant interest;
- d. the candidate’s diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- e. whether the candidate is in compliance with the criteria of independence (in respect of an appointment as an independent non-executive Director) under the Listing Rules; and
- f. any other factors that the Nomination Committee considers appropriate in exercising its discretion to nominate any person to be a Director.

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

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES – CONTINUED

### Nomination Committee – *Continued*

#### *Nomination Policy – Continued*

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

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

### Executive Committee

The Company established the Executive Committee on 30 September 2005. The principal functions and responsibilities of the Executive Committee are to determine, approve and oversee the day-to-day control over the allocation of the resources of the Group. The Executive Committee consists of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2022.

### 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 2022.

### 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 2022.



# CORPORATE GOVERNANCE REPORT

## 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 2022. Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and his biography is set out in the section headed “Directors and Senior Management” on page 18 of this annual report. For the year under review, Mr. Cheng provided his working report to the chairman of the Board, Mr. Liu Jinlan, directly. Mr. Cheng also reported to the Board members on the amendments to the Listing Rules and corporate governance practices particularly relating to director’s duties and responsibilities in a timely manner.

## CONSTITUTIONAL DOCUMENTS

A special resolution has been passed at the annual general meeting held on 9 June 2022 to amend the articles of association and to adopt the Amended and Restated Articles of Association of the Company for the purposes of, among others, (i) bringing the articles of association of the Company in line with the amended Appendix 3 to the Listing Rules which came into effect on 1 January 2022 and the applicable laws of the Cayman Islands; and (ii) making certain minor housekeeping amendments to the articles of association for the purpose of clarifying existing practice and making consequential amendments in line with the proposed dated 29 April 2022.

A copy of the Amended and Restated Memorandum and Articles of Association of the Company has been uploaded and maintained on the websites of the Company and the Stock Exchange.

## SHAREHOLDERS RIGHTS

### Procedures for shareholders to convene an extraordinary general meeting

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

### Procedures for shareholders to put forward proposals at a general meeting

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

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

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



# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS RIGHTS – CONTINUED

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

Subject to applicable laws and regulations, including Companies Law, Cap.22 (as revised and amended) of the Cayman Islands and the Listing Rules, and the Memorandum of Association and Articles of Association of the Company as amended from time to time, the Company may by ordinary resolution in general meeting elect any person to be a director of the Company either to fill a casual vacancy on the board of directors or as an addition to the existing board of directors. A shareholder of the Company may propose a person for election as a director of the Company by lodging a written notice to that effect at the head office and principal place of business of the Company in Hong Kong for the attention of the Company Secretary or at the Hong Kong 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 2022, 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 2022, 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 138 to 142 of this annual report.



# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATIONS

For the year ended 31 December 2022, the Group paid approximately RMB2,031,000 and RMB852,000 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 mainly 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 2022. The Company has engaged an independent professional internal control consultant to assist in assessing, reviewing and improving the Group's internal control on accounting system ("Internal Control Review"). After considering the Internal Control Review report and the actions on the implementation of the Enhanced Computerized Module, both the Audit Committee and the Board consider that the measures recommended by the Company are adequate and sufficient to deal with the findings of the Internal Control Review report and that the Group will formulate an adequate internal control system to meet its obligations under the Listing Rules. The Company is in the process of implementing the Enhanced Computerized Module, and the independent professional internal control consultant has been engaged to conduct a review of the effectiveness of the Enhanced Computerized Module in recognizing sales and transportation expenses. For details, please refer to the announcement of the Company dated 13 September 2022. Save as disclosed, in relation to the assessment on risk management and internal controls of the Group for the year ended 31 December 2022, 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.

# CORPORATE GOVERNANCE REPORT

## 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.



# CORPORATE GOVERNANCE REPORT

## 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 D.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 2022. The four aspects of risk assessment and control systems including strategic, financial, operational and compliance are reviewed by Audit Committee and Board. Save as disclosed in this annual report, both the Audit Committee and the Board are satisfied that there has been no major and significant deficiency nor defects noted in the areas of the Group's risk management and internal controls systems. The Board considered that the effectiveness of both risk management system and internal control system are ensured.

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## 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 2022.

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 2022, the management conducted numerous one-on-one meetings with 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 non-deal roadshows, company visits and meetings in the future to ensure the shareholders' communication implementing effectively.

On 9 June 2022, the Chairman of the Board, as well as Chairman or member of each of the Board Committees, attended the annual general meeting to answer any questions raised by the shareholders. During that day, the external auditor was also available to answer any questions from the shareholders about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

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

In 2022, the Board assessed and reviewed the implementation and effectiveness of the shareholders' communication policy. The Board considered that the communication policy was conducted properly and effectively given that sufficient and effective communication channels were provided to the investors and shareholders respectively.



# 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 2022.

## 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 2022 are set out in the consolidated statement of profit or loss and comprehensive income on page 143 of the annual report.

A final dividend of 15.0 HK cents per share for the year ended 31 December 2021 was paid to the shareholders of the Company during the year ended 31 December 2022.

The Board has recommended the payment of a final dividend of 15.0 HK cents (equivalent to approximately RMB13.4 cents) per share for the financial year ended 31 December 2022. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on Friday, 4 August 2023 to the shareholders whose names appear on the register of members of the Company on Friday, 16 June 2023.

## EVENT AFTER THE REPORTING PERIOD

Save as note 43 to the consolidated financial statements, no other significant event affecting the Group after the financial year ended 31 December 2022 and up to the date of this report.

## TAX RELIEF

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

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

In order to sustain a stable development of the Group, we understand that a good and close relationship with employees, customers and suppliers is one of the key factors to achieve it. Details of the Group’s key relationships with the employees, customers and suppliers for the year ended 31 December 2022 is set out in the section headed “2022 Environmental, Social and Governance (ESG) Report” on page 59 to 137 of this annual report.



## DIVIDEND POLICY

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

- (i) the general financial condition of the Group;
- (ii) the Group's actual and future operations and liquidity position;
- (iii) the Group's expected working capital requirements and future expansion plans;
- (iv) the Group's debt to equity ratios and debt level;
- (v) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- (vi) the retained earnings and distributable reserves of the Company and each of the members of the Group;
- (vii) the shareholders' and the investors' expectation and industry's norm;
- (viii) the general market conditions; and
- (ix) any other factors that the Board considers to be applicable from time to time.

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

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

## BUSINESS REVIEW

The business review of the Group including a discussion and analysis of the Group's performance for the year ended 31 December 2022 is set out in the section headed Management Discussion and Analysis on pages 6 to 15 of this annual report. The Group's future business development and prospect are provided in the Chairman's Statement on pages 4 and 5 and the Management Discussion and Analysis on pages 6 to 15 of this annual report. Description of uncertainties and possible risks that the Group may be facing can be found in the Chairman's Statement on pages 4 and 5 and the Management Discussion and Analysis on pages 6 to 15 of this annual report.



# DIRECTORS' REPORT

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China and Thailand while the Company itself is listed on the Stock Exchange. The Group has complied with all the relevant laws and regulations in China, Thailand and Hong Kong during the year ended 31 December 2022.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2022 are set out in the section headed "2022 Environmental, Social and Governance Report" on pages 59 to 137 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 Saturday, 3 June 2023 to Thursday, 8 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Thursday, 8 June 2023, 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 Friday, 2 June 2023.

The proposed final dividend for the year ended 31 December 2022 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 8 June 2023. The register of members of the Company will be closed from Thursday, 15 June 2023 to Friday, 16 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 June 2023.

## DONATION

During the year under review, the Group made charitable donations of RMB302,400.

## PENSION SCHEME

Details of the retirement benefit scheme contributions of the Group during the year ended 31 December 2022 are set out in note 36 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year ended 31 December 2022.

## SHARE AWARD SCHEME

### Purpose and Participants of the Scheme

On 4 September 2009, the Board resolved to adopt the share award scheme ("Scheme") to encourage and retain employee(s) selected by the Remuneration Committee (as defined below)(after taking into consideration recommendations and suggestions made by the Chairman) and approved by the Board pursuant to the rules relating to the Scheme ("Scheme Rules") and employee(s) selected by the trustee(s) ("Trustee") for the time being of the trust(s) declared in the trust deed ("Trust Deed") after having taken into consideration recommendations made by the Chairman, considered and consented to by the Remuneration Committee and approved by the Board pursuant to the Scheme Rules for participation in the Scheme ("Selected 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 Selected Employees directly to the shareholders of the Company through ownership of Shares. Pursuant to the Scheme, Shares will be purchased by the Trustee in the market out of cash contributed by the Company and be held in trust for the relevant Selected Employees until such Shares are vested in the relevant Selected Employees in accordance with the provisions of the Scheme.

In year 2022, the participants of the Scheme include all the executive Directors and two of the independent non-executive Directors, namely Mr. Koo Fook Sun Louis and Mr. William John Sharp, the senior management personnel, and core technical personnel and key management personnel of the Company and its subsidiaries who provide a significant impact on the Group's overall operation and development.

In the end of 2022, the total number of Company's shares had been granted but not yet vested under the Scheme was approximately 21,667,000, representing 1.3% of the issued shares as at the date of the Annual Report.



# DIRECTORS' REPORT

## SHARE AWARD SCHEME – CONTINUED

### Vesting

Save for a Lapse or a Partial Lapse (each as defined in the announcement of the Company dated 18 September 2009 (the “Announcement”) and subject to the section headed “Vesting Limit” below, unless otherwise determined by the Board at its discretion, the awarded shares held by the Trustee upon the Trust and which are referable to a Selected Employee shall be vested in that Selected Employee at no consideration on the date falling on the first anniversary of the relevant Reference Date (as defined in the Announcement)(or, if such date is not a business day, the business day immediately following such date) or at such times and in such manner as determined by the Remuneration Committee and approved by the Board from time to time, provided that such Selected Employee remains at all times after the relevant Reference Date and on the relevant Vesting Date(s) an Employee and that such Selected Employee has, as of the relevant Vesting Date(s), achieved the key performance indicator (if any) as specified in the letter of grant or as determined by the Remuneration Committee and approved by the Board and satisfied all the conditions as specified in the letter of grant or otherwise required by the Company under the Scheme. The date on which the awarded shares are to be vested is referred to as a “Vesting Date”.

### Vesting Limit

The total number of awarded shares to be vested in all Selected Employees in respect of each financial year shall not exceed 5 million Shares. The number of awarded shares to be granted to the executive Directors, the non-executive Directors and other employees (who are Selected Employees) in respect of each financial year shall be subject to such ratio or in such other manner as determined by the Remuneration Committee and approved by the Board.

The Scheme does not constitute a share option scheme and no new share of the Company will be granted under the Scheme accordingly. Instead, the vesting periods of the awards under the Scheme are stated in the table of the movements in the number of awarded shares outstanding during the year 2022 which are set out in the note 33 to the consolidated financial statements.

In year 2022, no amount was payable on application or acceptance of award.

As at the date of this report, the vesting period for all granted and unvested restricted shares was from 22 August 2019 to 31 March 2027.

## SHARE AWARD SCHEME – CONTINUED

### Remaining life of the Scheme

Subject to terms of the Scheme Rules, the Scheme shall be valid and effective for a period commencing on the adoption date and ending on the date to be determined by the Board from time to time, after which no further award will be made but the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to any awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme.

For details of the Scheme, please refer to the announcement of the Company dated 18 September 2009.

The table below sets out details of share awards granted to various participants/categories of participants under the Scheme:

Grantee/ Category	Grant date	Vesting period	Unvested awards as at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Unvested awards as at 31 December 2022
Directors								
– Liu Jinlan	22 August 2019	22 August 2019 to 31 March 2024	2,400,000	–	800,000	–	–	1,600,000
– Liu Jinlan	30 November 2021	30 November 2021 to 31 March 2027	3,825,000	–	–	–	–	3,825,000
– Liu Xiang	22 August 2019	22 August 2019 to 31 March 2024	1,200,000	–	400,000	–	–	800,000
– Liu Xiang	30 November 2021	30 November 2021 to 31 March 2027	1,875,000	–	–	–	–	1,875,000
– Tao Jinxiang	22 August 2019	22 August 2019 to 31 March 2024	1,200,000	–	400,000	–	–	800,000
– Tao Jinxiang	30 November 2021	30 November 2021 to 31 March 2027	1,875,000	–	–	–	–	1,875,000
– Zhang Yuxiao	22 August 2019	22 August 2019 to 31 March 2024	1,200,000	–	400,000	–	–	800,000
– Zhang Yuxiao	30 November 2021	30 November 2021 to 31 March 2027	1,875,000	–	–	–	–	1,875,000
– Koo Fook Sun, Louis	22 August 2019	22 August 2019 to 31 March 2024	101,000	–	34,000	–	–	67,000

# DIRECTORS' REPORT

## SHARE AWARD SCHEME – CONTINUED

### Remaining life of the Scheme – *continued*

Grantee/ Category	Grant date	Vesting period	Unvested awards as at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Unvested awards as at 31 December 2022
– Koo Fook Sun, Louis	30 November 2021	30 November 2021 to 31 March 2027	150,000	–	–	–	–	150,000
– William John Sharp	22 August 2019	22 August 2019 to 31 March 2024	101,000	–	34,000	–	–	67,000
– William John Sharp	30 November 2021	30 November 2021 to 31 March 2027	150,000	–	–	–	–	150,000
The five highest paid individuals during the financial year (four out of five include Directors listed above) in aggregate	22 August 2019	22 August 2019 to 31 March 2024	7,200,000	–	2,400,000	–	–	4,800,000
(four out of five include Directors listed above) in aggregate	30 November 2021	30 November 2021 to 31 March 2027	11,325,000	–	–	–	–	11,325,000
Other grantees (employees) in aggregate	22 August 2019	22 August 2019 to 31 March 2024	2,598,000	–	716,000	–	–	1,882,000
	30 November 2021	30 November 2021 to 31 March 2027	3,375,000	–	–	–	–	3,375,000

### Voting power of the Trustee

According to the terms of the Trust Deed, notwithstanding that the Trustee is the legal registered holder of the Shares awarded and held upon trust pursuant to the Trust Deed, the Trustee shall not exercise the voting rights attached to such Shares.



## FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the consolidated financial statements, is set out on page 242 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 2022 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.

# DIRECTORS' REPORT

## USE OF PROCEEDS – CONTINUED

The table below sets forth the status of the use of net proceeds as at 31 December 2022 and the expected timeline of the use of the unutilised net proceeds:

	<b>Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006</b>	<b>Actual utilized funds as at 31 December 2022</b>	<b>Balance of net proceeds as at 31 December 2022</b>	<b>Expected timeline for utilising the unutilised net proceeds</b>
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	
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	32,485	37,515	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	<u>1,087,000</u>	<u>712,536</u>	<u>374,464</u>	

The remaining amount of approximately HKD374 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 2022, all the net proceeds were utilised for enhancing the production facilities of an indirectly wholly owned subsidiary and financing the working capital.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 32 to the consolidated financial statements.

## RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on pages 146 to 147 of this annual report and note 42 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company's reserves available for distribution represent the share premium, capital contribution reserve, capital redemption reserve and retained profits which in aggregate amounted to approximately RMB1,050.7 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 2022 are set out in note 28 to the consolidated financial statements and the section headed "Management Discussion and Analysis" of this annual report.

## DIRECTORS

The Directors during the year ended 31 December 2022 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



# DIRECTORS' REPORT

## DIRECTORS – CONTINUED

Pursuant to Article 87 of the Articles of Association, Mr. Liu Jinlan, Mr. Tao Jinxiang and Mr. William John Sharp will retire by rotation. Mr. Liu Jinlan, being eligible, will offer himself for re-election at the forthcoming annual general meeting of the Company. Mr. Tao Jinxiang, decided not to offer himself for re-election due to his desire to retire at his age of 60 to devote more time to his personal endeavours. Further, all the independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (appointed with effect from 23 August 2005), Mr. William John Sharp (appointed with effect from 23 August 2005) and Ms. Xu Chunhua (appointed with effect from 23 August 2005) have served more than nine years on the Board, the Company plans to appoint a new independent non-executive Director at the forthcoming annual general meeting to comply with Code B.2.4 of the Corporate Governance Code. Having taken into account of the joining of the new independent board member and his reaching of age of over 80, Mr. William John Sharp decided to take the opportunity to retire from his position as an independent non-executive Director and not to offer himself 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 16 to 18 of this annual report.

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

## DIRECTORS' SERVICE CONTRACTS

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

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

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

## RELATED PARTY TRANSACTIONS

Certain related party transactions were entered into by the Group during the year ended 31 December 2022, the details of which are set out in note 37 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 2022.

# DIRECTORS' REPORT

## 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 2022. 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 2022.

## 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' REPORT

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

As at 31 December 2022, 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 Directors of Listed Issuers ("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 of the Company	Approximate percentage of issued share capital of the Company as at 31 December 2022 <i>(note 5)</i>
Liu Jinlan <i>(Notes 1 &amp; 8)</i>	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	758,132,457	45.603%
Liu Xiang <i>(Notes 2 &amp; 8)</i>	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	758,132,457	45.603%
Tao Jinxiang <i>(Notes 3 &amp; 8)</i>	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	758,132,457	45.603%
Zhang Yuxiao <i>(Notes 4 &amp; 8)</i>	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	758,132,457	45.603%
Koo Fook Sun, Louis <i>(Note 6)</i>	Beneficial owner	510,824	0.031%
William John Sharp <i>(Note 7)</i>	Beneficial owner	384,000	0.023%
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 49,039,275 shares in his own name as at 31 December 2022. Mr. Liu Jinlan held as to 100% of the issued share capital of Great Trade Limited ("Great Trade") for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement (each as defined below). As at 31 December 2022, Great Trade held 274,104,883 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade. Mr. Liu Jinlan was 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. Please refer to Note 8 below for details. Further, Mr. Liu Jinlan is a grantee under the share award scheme of the Company adopted on 4 September 2009 ("Share Award Scheme"). Upon fulfilment of the relevant vesting conditions and assuming all shares of the Company ("Shares") awarded under the Share Award Scheme ("Award Shares") granted to him are vested in full, Mr. Liu Jinlan will become interested in a further 5,425,000 Shares.
2. Mr. Liu Xiang held 18,932,299 shares in his own name as at 31 December 2022. Mr. Liu Xiang held as to 100% of the issued share capital of In-Plus Limited ("In-Plus") for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 31 December 2022, In-Plus held 151,114,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus. Mr. Liu Xiang was 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. Please refer to Note 8 below for details. Further, Mr. Liu Xiang is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Liu Xiang will become interested in a further 2,675,000 Shares.
3. Mr. Tao Jinxiang held 10,264,000 shares in his own name as at 31 December 2022. Mr. Tao Jinxiang held as to 100% of the issued share capital of Perfect Sino Limited ("Perfect Sino") for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 31 December 2022, Perfect Sino 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. 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. Please refer to Note 8 below for details. Further, Mr. Tao Jinxiang is a grantee under the Share Award Scheme, Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Tao Jinxiang will become interested in a further 2,675,000 Shares.
4. Mr. Zhang Yuxiao held 3,458,000 shares in his own name as at 31 December 2022. Mr. Zhang Yuxiao held as to 100% of the issued share capital of Power Aim Limited ("Power Aim") for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 31 December 2022, 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. Mr. Zhang Yuxiao was 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. Please refer to Note 8 below for details. Further, Mr. Zhang Yuxiao is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Zhang Yuxiao will become interested in a further 2,675,000 Shares.



# DIRECTORS' REPORT

## 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: – Continued*

5. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2022, i.e. 1,662,445,199 shares.
6. Mr. Koo Fook Sun, Louis is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Koo Fook Sun, Louis will become interested in a further 217,000 Shares.
7. Mr. William John Sharp is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. William John Sharp will become interested in a further 217,000 Shares.
8. Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming (“Five Parties”) entered into an agreement dated 29 August 2005 (as supplemented by supplemental agreements dated 15 November 2005 and 29 November 2022) in relation to the beneficial interests in Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative Limited (the “Five BVI Companies”) (the “Five Parties Agreement”). Pursuant to the Five Parties’ Agreement, (i) the interests and rights of the Five BVI Companies and the interests and rights in the Shares held by the Five Parties through the Five BVI Companies are held by the Five Parties for their own benefit and for the benefit of the other members (“ESC Members”) of 江蘇興達鋼簾線股份有限公司職工持股會 (Employee Shareholding Committee of Jiangsu Xingda Steel Tyre Cord Co., Ltd.\*) (the “Employee Shareholding Committee”) from time to time (including the Five Parties as at the date of this report) with reference to the proportion set out in the Five Parties’ Agreement and as amended from time to time; and (ii) to the extent any Shares were acquired by any of the Five Parties and/or the Five BVI Companies using the funds provided by such member of the Five Parties on or after 30 August 2005, such acquired Shares (together with all rights and benefits accruing and attaching thereto) shall be for the benefit of such member of the Five Parties only.
9. On 29 November 2022, the Five BVI Companies, the Five Parties, Widen Success Holdings Limited (“Widen Success”) and Mr. Liu Tao entered into an agreement (the “AIC Agreement”), pursuant to which the parties agreed, confirmed and acknowledged that in respect of all the Shares held by the Five BVI Companies, the Five Parties, Widen Success and Mr. Liu Tao from time to time, whether for their own benefit or for the benefit of the other ESC Members, they shall reach a consensus before voting on any of the matters to be resolved at the general meetings of the Company and shall vote unanimously on the resolutions proposed at the general meetings of the Company. Mr. Liu Tao further agreed and confirmed that he shall agree with Mr. Liu Jinlan when reaching a consensus among the Five Parties and himself. The AIC Agreement took effect on 10 March 2023, being the final settlement date for the conditional voluntary cash partial offer made by CLSA Limited on behalf of the joint offerors to the qualifying shareholders to acquire a maximum of 80,000,000 offer shares of the Company as disclosed in the composite document dated 27 January 2023 jointly issued by the relevant joint offerors and the Company.

## DIRECTORS' REPORT

### 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 2022
Liu Jinlan	Interest of controlled corporation (note 1)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	99,000,000	3.46%
Liu Xiang	Interest of controlled corporation (note 2)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	72,000,000	2.52%
Tao Jinxiang	Interest of controlled corporation (note 3)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	54,000,000	1.89%
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda SteelTyre Cord Co., Ltd.	1,669	0.000058%

Notes:

1. Liu Jinlan is the general partner of 泰州金澤企業管理合夥企業(有限合夥) (Taizhou Jinze Corporate Management Partnership Corporation (Limited Partnership)\*) which held 99,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2022.
2. Liu Xiang is the general partner of 泰州業祥企業管理合夥企業(有限合夥) (Taizhou Yexiang Corporate Management Partnership Corporation (Limited Partnership)\*) which held 72,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2022.
3. Tao Jinxiang is the general partner of 泰州永業企業管理合夥企業(有限合夥) (Taizhou Yongye Corporate Management Partnership Corporation (Limited Partnership)\*) which held 54,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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' REPORT

## 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 2022 are set out in note 33 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.

## DIRECTORS' REPORT

### 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 2022, 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 2022 <i>(note 3)</i>
Great Trade Limited	Beneficial owner	274,104,883	Long position	16.49%
In-Plus Limited	Beneficial owner	151,114,000	Long position	9.09%
Perfect Sino Limited	Beneficial owner	116,259,000	Long position	6.99%
Hang Youming	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO <i>(note 1)</i>	758,132,457	Long position	45.60%
FIL Limited	Interests of controlled corporations <i>(note 2)</i>	166,244,328	Long position	10.00%
Pandanus Associates Inc.	Interests of controlled corporations <i>(note 2)</i>	166,244,328	Long position	10.00%
Pandanus Partners L.P.	Interests of controlled corporations <i>(note 2)</i>	166,244,328	Long position	10.00%
Brown Brothers Harriman & Co.	Approved lending agent	81,823,907	Long position	4.92%
		81,823,907	Lending pool	4.92%



# DIRECTORS' REPORT

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

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

#### Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 43,671,000 shares in his own name as at 31 December 2022. Mr. Hang Youming held as to 100% of the issued share capital of Wise Creative Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement (each as defined in the section headed "Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures" above). As at 31 December 2022, Wise Creative Limited held 48,565,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is 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. Please refer to Note 8 under the section headed "Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures – (1) Long positions in shares, underlying shares and debentures of the Company" above for details. Further, Mr. Hang Youming is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Hang Youming will become interested in a further 2,675,000 Shares.
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 2022, FIL Investment Management (Singapore) Limited and FIL Investment Management (Hong Kong) Limited held 105,835,395 and 180,005 shares in the Company respectively. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited are deemed to be interested in the shares in the Company held by (i) FIL Investment Management (Singapore) Limited; and (ii) FIL Investment Management (Hong Kong) Limited. FIL Limited also owned 100% of the issued share capital of FIL Holdings (UK) Limited, which owned 100% of the issued share capital of FIL Investment Services (UK) Limited. As at 31 December 2022, FIL Investment Services (UK) Limited held 60,177,923 shares in the Company. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Holdings (UK) Limited are deemed to be interested in the shares of the Company held by FIL Investment Services (UK) Limited. FIL Limited held 51,005 shares in the Company. For the purpose of Part XV of the SFO, Pandanus Associates Inc. and Pandanus Partners L.P. are deemed to be interested in the shares of the Company held by FIL Limited.
3. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2022, i.e. 1,662,445,199 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 31 December 2022 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 2022.

## 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 33 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 2022 is disclosed in note 13 to the consolidated financial statements.



# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 31% of the Group's total revenue and the largest customer contributed approximately 8% of the Group's total revenue for the year ended 31 December 2022. The five largest suppliers represented approximately 92% of the Group's total purchases and the largest supplier represented approximately 57% of the Group's total purchases for the year ended 31 December 2022.

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*

31 March 2023

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

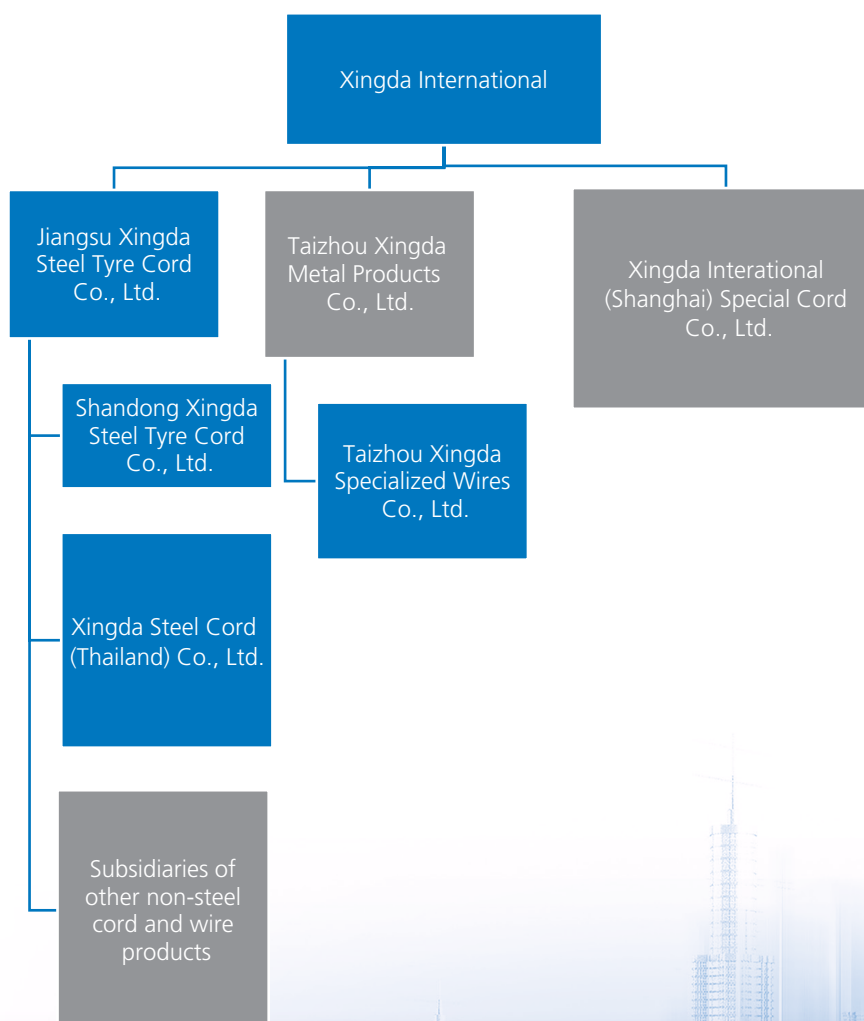
## Description of the Report

This report is the 9th *Environmental, Social, and Corporate Governance (ESG) Report* of Xingda International Holdings Limited, which discloses the company's philosophy, established management methods, implementation efforts, and achievements in sustainable development issues in its operations to investors and other stakeholders.

## Scope of the Report

The scope of this report covers Xingda International Holdings Limited and its subsidiaries ("Xingda International" and "the Group"). Unless otherwise stated, it is in line with the entities covered in the company's (stock code: 1899. HK) annual consolidated financial statements. The statistics in this report are based on all subsidiaries and manufacturing bases of steel cord and steel wire products operated by the Group worldwide, including manufacturing bases<sup>1</sup> located in Jiangsu Province ("Jiangsu base"), Shandong Province ("Shandong base"), and Thailand ("Thailand base"). The list of subsidiaries for the production of steel cord and steel wire products covered in this report and the abbreviations in the report are as follows:

Company Organizational Chart



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Description of the Report – CONTINUED

### Scope of the Report – Continued

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

Jiangsu Xingda Tyre Cord Co., Ltd.	Jiangsu Xingda	Affiliated to “Jiangsu base”
Taizhou Xingda Specialized Wires Co., Ltd.	Taizhou Xingda	
Shandong Xingda Steel Tyre Cord Co., Ltd.	Shandong Xingda	Affiliated to “Shandong base”
Xingda Steel Cord (Thailand) Co., Ltd.	Xingda Thailand	Affiliated to “Thailand base”

1. The gray colored subsidiaries are not included in the data statistics because they are not involved in the production of steel cord and steel wire products, and their operating activities have a less impact on the overall ESG performance of the Group.

### Reporting Period

The reporting period is from January 1, 2022 to December 31, 2022. Unless otherwise specified, the data in this report are based on this period.

### Basis of the Report

This report has been prepared in accordance with *the Environmental, Social and Governance Reporting Guide* issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “SEHK”) (effective from January 1, 2022).

### Principles of the Report

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

#### Materiality

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

#### Quantitative

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

#### Balance

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

#### Consistency

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

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Description of the Report – CONTINUED

### Data Description

The data and cases in the report are derived from the official records of the actual operation of the company. If the financial data are inconsistent with the company's annual financial report, the annual financial report shall prevail.

The financial data in the report are in RMB.

### Report Acquisition Method

This report is published electronically, and the publishing platform includes the information disclosure platform designated by the stock exchange.

### Contact Us

If you have any suggestions on the report, you can contact the Group through the following methods:

Contact Address: Floor 6, No. 20, Lane 599, Yunling East Road, Putuo District, Shanghai, China

Contact Email: sustainability@xingda.com.cn

## ESG Management

### ESG Philosophy and Strategy

With “sustainable and high-quality development” as the key focus and responsible operations as the foundation, the Group delivers high-quality, innovative and green products and solutions that will promote the green transformation of the industry and make contributions to the social development and common prosperity. We focus on four major areas of sustainability: green products and solutions, sustainable and eco-friendly supply chains, sound business operating models, and shared social values.

Green Products and Solutions	Sustainable and Eco-friendly Supply Chains	Sound Business Operating Models	Shared Social Values
<ul style="list-style-type: none"><li>Reduce the environmental impact of our products throughout their life cycle by means of innovation. We are committed to generating 30% of our sales from green products and solutions by 2025.</li></ul>	<ul style="list-style-type: none"><li>Create an eco-friendly supply chain and establish long-term strategic relationships with suppliers and industry partners.</li></ul>	<ul style="list-style-type: none"><li>Apply a sound and transparent business operating model, and direct business operations with a sustainability philosophy.</li></ul>	<ul style="list-style-type: none"><li>Contribute to community prosperity and human capital development through sustainable practices.</li></ul>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## ESG Management – CONTINUED

### ESG Management Mechanism

The Group attaches importance to sustainable development and ESG management, and constructs a top-down governance structure and management mechanism. The Group has established a Sustainable High-quality Development Strategy Committee (hereinafter referred to as the “Sustainable Development Committee”), and the Board of Directors takes overall responsibility for the Group’s sustainable development, including ESG issues. The Sustainable Development Committee has organized the Xingda International Green Vanguard to promote the specific tasks of seven working groups.





# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## ESG Management – CONTINUED

### ESG Management Mechanism – *Continued*

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

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

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

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

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## ESG Management – CONTINUED

### Stakeholder Communication

The Group is committed to establishing a communication mechanism with various stakeholders. The stakeholders are defined as individuals or groups that affect or are affected by the Group's operational activities, and include exchanges and governments, investors and shareholders, suppliers, customers, employees, communities and the public. The Group communicates with stakeholders through websites, media, conferences, reports, events, and other channels to understand and respond to their expectations and demands, and incorporates substantive issues of concern to stakeholders into the Group's operations and decision-making processes, so as to improve the Group's operational and management capabilities and sustainable development capabilities.

Stakeholders	Issue of Concern	Communication and Response
Exchanges and Government	<ul style="list-style-type: none"> <li>Information disclosure</li> <li>Business ethics</li> <li>Emissions management</li> </ul>	<ul style="list-style-type: none"> <li>Website announcement</li> <li>Government inspections</li> <li>Communication and visits</li> </ul>
Investors and Shareholders	<ul style="list-style-type: none"> <li>Information disclosure</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' meeting</li> <li>Financial report release</li> <li>Seminars, interviews, etc.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>Field visits</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Product quality and safety</li> <li>Resource utilization</li> <li>Addressing climate change</li> <li>Data and privacy</li> </ul>	<ul style="list-style-type: none"> <li>Interviews</li> <li>Field visits</li> <li>After sales service</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employee rights and benefits</li> <li>Employee training and development</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Labor Union Interaction</li> <li>Employee Training</li> <li>Employee Handbook</li> <li>Interviews, etc.</li> </ul>
Community and Public	<ul style="list-style-type: none"> <li>Social welfare</li> <li>Employee rights</li> <li>Addressing climate change</li> </ul>	<ul style="list-style-type: none"> <li>Volunteer activities</li> <li>Community activities</li> <li>Donation</li> </ul>

### Analysis of Substantive Issues

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



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## ESG Management – CONTINUED

### Analysis of Substantive Issues – Continued

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

In 2022, the Group conducted interviews with the top management of departments highly relevant to sustainable development, and organized a sustainable development salon for the internal management of the Group. Representative external stakeholders were invited to participate in the interviews to further evaluate extensive topics.

Based on the evaluation results and expert opinions, the Group has identified highly substantive issues, which will be the Group's main direction to carry out sustainable development management after deliberation and decision-making by the Board of Directors.

### Xingda's High-substantive Issues

Green Products and Solutions	Sustainable and Eco-Friendly Supply Chains	Sound Business Operating Models	Shared Social Values
<ul style="list-style-type: none"><li>• Green products</li><li>• Circular economy</li><li>• Addressing climate change</li></ul>	<ul style="list-style-type: none"><li>• Sustainable procurement</li></ul>	<ul style="list-style-type: none"><li>• Compliance and business ethics</li><li>• Sustainability governance</li></ul>	<ul style="list-style-type: none"><li>• Community and human capital development</li></ul>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Corporate Governance Responsibilities

### Anti-corruption and Bribery

The Group maintains a zero tolerance for anti-corruption and bribery. We are committed to creating an environment of fair play, honesty, openness and transparency, and to strict compliance with laws and regulations. The Group has established internal management systems related to anti-corruption and anti-fraud, conflict of interest, anti-money laundering and improper competition, such as the *Employee Business Ethics Code* and *Employee Handbook*, which strictly prohibit all our employees from embezzlement, misappropriation, theft of funds, property or violation of trade secrets, and require our employees and supplier partners to comply with the Group's business ethics regulations.

#### List of Applicable Anti-Corruption Laws and Regulations

Region	Applicable Laws and Regulations
China	<i>Company Law of the People's Republic of China, Civil Code of the People's Republic of China, Finance and Taxation Law of the People's Republic of China, Labor Law of the People's Republic of China, Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, etc.</i>
Thailand	<i>Anti-corruption Organization Law, etc.</i>

#### List of Key Contents of the *Employee Business Ethics Code*

Category	Key Content
Anti-corruption and bribery	<ul style="list-style-type: none"><li>• Employees are encouraged to submit gifts that should be accepted by the company, and gifts from the same partner should not exceed RMB 200 per quarter.</li><li>• No employee may bribe any government official or government personnel for business needs.</li><li>• Any employee should comply with the relevant disciplinary provisions of the company and should not accept bribes, bribe others, or secretly accept commissions or other personal benefits.</li></ul>
Anti conflict of interest	<ul style="list-style-type: none"><li>• No employee can apply for a job in other companies that compete with the company during their employment.</li><li>• No employee can use company property, information, or their position in the company to seek business opportunities that should belong to the company.</li><li>• Any personnel of the company shall not, for any reason, break up the matters that the company needs to invite bids into parts or avoid bidding in other ways.</li><li>• Any employee cannot directly or indirectly enjoy the financial benefits (equity or otherwise) of other business institutions through the relationship of his/her spouse or other family members, nor can he/she devote his or her work time to other affairs to obtain such financial benefits.</li><li>• No employee may obtain loans, personal debt guarantees, or enter into any private financial transactions from/with significant customers, suppliers, or competitors of the company.</li></ul>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Corporate Governance Responsibilities – CONTINUED

### Anti-corruption and Bribery – Continued

The Group has established open and transparent communication and reporting channels with all stakeholders, and has strictly prevented illegal activities through independent audit departments and internal monitoring systems. The Group clearly specifies the email address and dedicated hotline for reporting. Employees, suppliers, and other relevant parties can supervise and report work abuses and employee misconduct. The Group will promptly appoint a dedicated department for handling. In case of any complaint that cannot be handled, employees can also directly appeal to the party organization, labor union organization, or discipline inspection commission of the Group.

### Reporting Channels

- Reporting email: [compliance@xingda.com.cn](mailto:compliance@xingda.com.cn)
- Report hotline: +86 523 80956588

The Group encourages employees to actively declare their interests. If employees have conflicts of interest that comply with the *Employee Business Ethics Code*, they should actively report to the company to avoid conflicts of interest.

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

The Group enhances employees' awareness of anti-corruption through monthly promotional meetings and other ways. In 2022, Jiangsu Xingda provided relevant training on preventing corruption, bribery, and anti-competitiveness for members of the Board of Directors and employees in key positions through meetings and publicity.

In 2022, the Group had no corruption lawsuits filed against the issuer or its employees.

### Anti-Corruption Performance Sheet

Indicators	Unit	2020	2021	2022
Number of corruption lawsuits filed and concluded against the issuer or its employees during the reporting period	count	0	0	0
Number of employees involved in anti-corruption related training	person	881	857	1,383
Total number of hours of anti-corruption training received by employees <sup>1</sup>	hour	2,957	3,061	3,373

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



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility

### Environmental Management System

The Group actively identifies the impact of its business activities on the environment. After China set goals to achieve peak emissions by 2030 and carbon neutrality by 2060, it has become the responsibility of industrial enterprises to protect the ecological environment and realize energy saving and carbon reduction. Based on its environmental policy of “protecting the blue sky and creating a green world”, the Group has formulated four commitments to environmental protection, made vigorous response and took action to integrate environmental protection and green low-carbon development into the entire process of product development, production and operation.

#### Four Commitments for Environmental Protection

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

The Group strictly abides by the laws, regulations, and requirements related to environmental management in the place of operation, formulates management systems such as *Environmental Management Policy*, *Noise and Vibration Pollution Control Procedure*, *Solid Waste Management Procedure*, and *Air Pollution Prevention and Control Management Procedure* to standardize internal environmental management. All manufacturing bases of the Group in China (including Jiangsu Xingda, Taizhou Xingda, and Shandong Xingda) and Xingda Thailand have passed ISO 14001:2015 environmental management systems certification.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Environmental Management System – Continued

#### List of Environmental Management Laws, Regulations and Relevant Requirements.

Regions	Laws, Regulations and Relevant Requirements
China	<i>Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on Promotion of Cleaner Production, Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (GB18599-2020), Integrated Emission Standard of Air Pollutants (GB16297-1996), Integrated Emission Standard of Air Pollutants (DB32/4041-2021), Emission Standard of Air Pollutants for Boilers (DB37/2374-2018), Regional and Integrated Emission Standard of Air Pollutants (DB37/2376-2019), Emission Standard of Air Pollutants for Industrial Furnace and Kiln (DB37/2375-2019), etc.</i>
Thailand	<i>Notification of the Industrial Estate Authority: Industrial Waste Management and Disposal B.E. 2548 (2005), Public Health Act B.E.2535 (1992), Factory Act B.E. 2535 (1992), The Enhancement and Conservation of National Environment Quality Act B.E. 2535 (1992), Notification of the Department of Industrial Works: Type or Category of Factory Required to Prepare a Report of Type and Quantity of Pollutants Discharged from a Factory, Notification of the Industrial Estate Authority No. 46/2541: Determination of Emission Rates of Air Pollutants from Stacks of Factories in Industrial Estates, Notification of Ministry of Science, Technology and Environment: Standards for Waste Gas Emission Quality of Steelworks, Notification of the Industrial Estate Authority: Standards for Smoke Content at Boiler Vents in Plants, Notification of Ministry of Natural Resources and Environment: Standards for Waste Gas Control in Industrial Plants, Notification of the National Environmental Board, No. 24, B.E. 2547 (2004) Ambient Air Quality Standard Amendment, Notification of the Department of Industrial Works: Standards for the Quality of Waste Water Discharged to the Industrial Sewage Treatment System Center, Notification of the Ministry of Science, Technology and Environment, No. 4, B.E. 2539 (1996): Control Standards for Effluent Discharged to the Public Water Supply or Environment in Industrial Works, Notification of the Industrial Estate Authority No. 79/2554: Disposal of Industrial Wastes, Refuse and Sewage, and Notification of the Department of Industrial Works: Regulations for Documents of Hazardous Waste Transportation</i>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

Environmental Management System – *Continued*

### Status of Subsidiaries Obtaining Environmental Management System Certification

Company Abbreviation	Certification Scope	Certifications Approved	Certification Validity Period
Jiangsu Xingda	Manufacturing and related management activities of steel cord for radial tire, steel wire for tire bead, steel wire for rubber hose reinforcement, steel wire for cutting, galvanized steel wire	ISO14001:2015	June 21, 2024
Shandong Xingda	Manufacturing and related management activities of steel cord for radial tire	ISO14001:2015	January 13, 2026
Taizhou Xingda	Manufacturing and related management activities of steel wire for rubber hose reinforcement, galvanized steel wire and galvanized steel wire rope	ISO14001:2015	June 29, 2024
Xingda Thailand	Manufacturing and related management activities of steel cord for radial tire	ISO14001:2015	April 28, 2025

The Group has established manufacturing bases in China and Thailand. While expanding its own business development, the Group is also committed to building a green production environment, taking environmental protection as a management focus, and actively taking measures to prevent or mitigate adverse impacts on the environment, thereby improving production environmental performance.

The Group has formulated the *Strategic Plan for Sustainable Development of Xingda International*, and set a series of medium and long-term goals and achievement mechanisms. Each manufacturing base has formulated annual environmental management objectives to strengthen systematic management capabilities.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Environmental Management System – Continued

#### Environmental Management Objectives of Each Manufacturing Base for 2022

Operating Bases	Environmental Management Objectives
Jiangsu base	<ul style="list-style-type: none"> <li>Comprehensive energy consumption per unit product <math>\leq 0.28\text{tce/t}</math>;</li> <li>Water consumption per unit product <math>\leq 4.7\text{t/t}</math>;</li> <li>Acid consumption per unit product <math>\leq 25\text{kg/t}</math>;</li> <li>Wastewater generation per unit product <math>\leq 0.7\text{t/t}</math>;</li> <li>COD discharge per unit product <math>\leq 1\text{kg/t}</math>, and heavy metal production in wastewater per unit product <math>\leq 15\text{g/t}</math>;</li> <li>Discharge of acid cleaning waste gas hydrogen chloride and sulfuric acid mist <math>\leq 10\text{mg/m}^3</math>;</li> <li>Industrial solid waste output per unit product <math>\leq 13.02\text{kg/t}</math>;</li> <li>Environmental noise at the factory boundary meets the emission standards.</li> </ul>
Shandong base	<ul style="list-style-type: none"> <li>Comprehensive energy consumption per unit product <math>\leq 0.28\text{tce/t}</math>;</li> <li>Water consumption per unit product <math>\leq 3.5\text{t/t}</math>;</li> <li>Acid consumption per unit product <math>\leq 24\text{kg/t}</math>;</li> <li>Wastewater generation per unit product <math>\leq 0.7\text{t/t}</math>;</li> <li>Discharge of acid cleaning waste gas hydrogen chloride and sulfuric acid mist <math>\leq 10\text{mg/m}^3</math>;</li> <li>Environmental noise at the factory boundary meets the emission standards.</li> </ul>
Thailand base	<ul style="list-style-type: none"> <li>Energy – electricity consumption – consumption per ton decreased by 5 kWh;</li> <li>Resource – the utilization rate of regenerated acid is above 98%;</li> <li>Discharge of various types of wastewater meets the standard;</li> <li>Exhaust gas emission meets the standard;</li> <li>Compliant disposal of solid waste.</li> </ul>

Each manufacturing base of the Group carries out risk assessment of environmental events, prepares corresponding emergency plans, establishes and improves long-term working mechanisms for environmental risk prevention and control, and effectively reduces regional environmental risks. Jiangsu Xingda and Taizhou Xingda have both formulated *Risk Assessment Report on Environmental Emergencies*, *Environmental Emergency Resource Investigation Report*, *Emergency Response Plan for Environmental Incidents*, as well as special plans and on-site disposal plans, which have all been registered with the competent ecological and environmental authorities. Xingda Thailand engages a third-party agency to conduct environmental impact assessments twice a year to ensure timely monitoring of environmental risks. Xingda Thailand also formulates emergency response plans for environmental emergencies and organizes regular training and drills.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Environmental Management System – Continued

In 2022, the Group provided environmental protection training once a month on average, with a duration of no less than 3 class hours each time. The involved personnel and all personnel at the level of shift leader or above should participate in the training. Jiangsu Xingda held various activities during the World Environment Day Week from May 25 to June 5, 2022, carrying out various publicity and education activities to enhance the environmental awareness of all employees; from July 4 to 5, professional institutions were invited to conduct training on environmental management system standards for middle and senior level and environmental management personnel, as well as training on evidence collection for internal auditors of the environmental management system.

In 2022, the Group had no confirmed violations of environmental protection related laws and regulations.

### Environmental Management System Performance Sheet

Indicators	Unit	2022
Percentage of employees who have received (internal or external) training on environmental issues	%	100
Percentage of all workplaces where environmental risk assessments have been conducted	%	100
Percentage of all workplaces that have passed ISO 14001 certification	%	100
Amount of penalty due to violation of environmental protection laws and regulations	RMB 10,000	0
Number of incidents punished due to violation of environmental protection laws and regulations	case	0

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Energy Management

The Group is committed to becoming a resource saving and environmentally friendly enterprise. The main types of energy consumed by the Group in the production process include electricity, natural gas and diesel fuel. The Group formulates energy use objectives based on the requirements of the ISO50001:2018 energy management certification system and national energy policies.

### Energy consumption target

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

### List of Laws and Regulations Related to Energy Management

Region	Applicable Laws and Regulations
China	<i>Law of the People's Republic of China on Energy Conservation, etc.</i>
Thailand	<i>Energy Conservation Promotion Act, B.E. 2535 (1992), and Energy Management Criteria B.E. 2552 (2009)</i>

In terms of energy management, the Group has developed systems such as *Energy Management System, Energy Conservation Management System, and Implementation Rules for Daily Energy Conservation Supervision*, and established energy measurement management. Jiangsu Xingda has obtained the certification of ISO50001:2018 energy management system for the first time in 2021 (valid until December 16, 2024), and passed the surveillance audit in 2022.

The Group promotes clean production and energy audit, and identifies energy conservation items that need to be improved and gradual improvement through accepting audits from customers and external third parties. The Group has also strengthened training on energy conservation awareness among employees to improve management energy efficiency.

In terms of energy conservation and consumption reduction, the Group has launched a number of technical transformation projects for energy conservation, such as upgrading high-efficiency permanent magnet synchronous motors, improving production lines and water pumps for some public facilities, installing and operating waste heat recovery and utilization systems, to reduce the use of fossil energy in the production process.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Energy Management – Continued

#### 2022 Key Energy Conservation Measures for Manufacturing Bases

Manufacturing Bases	Energy Conservation Measures
Jiangsu base	<ul style="list-style-type: none"><li>• In the wet drawing process, 369 high-efficiency permanent magnet synchronous motors were upgraded by Jiangsu Xingda; 3,350 high-efficiency energy conservation motors were upgraded for the lifting pump; 60 high-efficiency energy conservation water pumps were upgraded for public works; 9 energy conservation motors were upgraded for coarse and medium continuous wire drawing machines; and 30 high-efficiency energy conservation motors were upgraded for the wet wire drawing machine.</li><li>• Eleven sets of waste heat recovery and utilization systems were installed and put into operation by Jiangsu Xingda, and 5 systems entered trial operation. The unit heat consumption in 2022 decreased by 70% compared to 2021.</li><li>• Taizhou Xingda replaced 146 variable frequency motors with energy-efficient permanent magnet synchronous motors, saving 239 tons of standard coal per year.</li><li>• Taizhou Xingda recycled heat generated from the heat treatment of steel wires to replace the original steam heating, saving 1,160 tons of standard coal per year.</li><li>• Taizhou Xingda replaced four 20m<sup>3</sup>/h screw-type air compressors with one 80m<sup>3</sup>/h centrifugal air compressor to supply compressed air, enhancing the energy efficiency by about 20%.</li></ul>
Shandong base	<ul style="list-style-type: none"><li>• In the wet drawing process, 617 high-efficiency permanent magnet synchronous motors were upgraded.</li><li>• A semi enclosed insulation box was added at the soap soaking outlet, and the exhaust air volume of the soap soaking suction fan (35 degrees) was used to conduct hot air circulation drying for the steel wire, reducing the temperature requirements for soap soaking. By 2022, about 650 tons of steam has been saved.</li></ul>
Thailand base	<ul style="list-style-type: none"><li>• The lifting pump was retrofitted with 54 high-efficiency energy conservation motors, and the circulating pump was retrofitted with 12 high-efficiency energy conservation motors.</li><li>• Coils were added to the high temperature tanks of the six electroplating lines, and a circulating pump was used to circulate and heat the hot water in the coils to the acid pickling tank, hot water washing, soaping, and other tanks, reducing the consumption of natural gas and steam. In 2022, about 1,500 tons of steam were saved, and about 120,000 cubic meters of natural gas were saved.</li></ul>



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Energy Management – Continued

#### Energy Use Performance Sheet

Indicators	Unit	2020	2021	2022
<b>Direct energy consumption</b>				
Total natural gas consumption	Million m <sup>3</sup>	42.17	50.82	57.49
Liquified natural gas	ton	–	17,777.78	16,852.06
Total coal consumption <sup>1</sup>	ton	149,989.00	158,630.00	4,483.00
Total diesel fuel consumption	ton	462.88	505.88	415.79
Total gasoline consumption	ton	–	29.84	1.57
<b>Indirect energy consumption</b>				
Total amount of purchased electricity	GWh	1,262.42	1,587.68	1,517.54
Total amount of purchased electricity (China)	GWh	1,230.42	1,506.94	1,438.90
Total amount of purchased electricity (Thailand)	GWh	32.00	80.74	78.64
Total solar power generation	MWh	2.45	38.64	2,496.00
Use ratio of clean energy	%	–	–	36.02
Power consumption density (by production volume)	MWh/ton product	1.45	1.43	1.44

1: In 2022, the coal-fired boiler of the original thermal power plant in Jiangsu base was officially shut down, leading to a significant reduction in the coal consumption of the Group.

#### 2022 Energy Use Performance Sheet of Each Manufacturing Base

Indicators	Unit	Jiangsu base	Shandong base	Thailand base
<b>Direct energy consumption</b>				
Total natural gas consumption	Million m <sup>3</sup>	49.12	5.56	2.81
Liquified natural gas	ton	16,852.06	–	–
Total coal consumption	ton	4,483	–	–
Total diesel fuel consumption	ton	359.84	33.43	22.52
Total gasoline consumption	ton	–	0.55	1.02
<b>Indirect energy consumption</b>				
Total amount of purchased electricity	GWh	1,244.03	194.87	78.64
Total amount of purchased electricity (China)	GWh	1,244.03	194.87	–
Total amount of purchased electricity (Thailand)	GWh	–	–	78.64
Total solar power generation	MWh	2,496.00	–	–
Use ratio of clean energy	%	38.03	23.55	27.82

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Water Resources Management

The water sources used by the Group in its production are mainly surface water, groundwater and public water supply. The Group complies with the policy and management requirements of the relevant countries and regions in obtaining suitable water sources with no impact on local surface water and groundwater.

The Group strictly complies with laws and regulations related to water resources management, improves the comprehensive water resources management mechanism from all aspects, and establishes and enhances the water cycle system. The Group sets water resource utilization efficiency targets, and provides employee training on water-saving related rules and regulations.

#### Water use efficiency target

- Water recycling rate no less than 97%

#### List of Laws and Regulations Related to Water Resources Management

Region	Applicable Laws and Regulations
China	<i>Law of the People's Republic of China on the Prevention and Control of Water Pollution, etc.</i>
Thailand	<i>Water Resources Act of 2007</i>

The Group actively carries out water resource recycling, water-saving equipment and technology upgrades, and regular equipment maintenance to achieve the scientific use of water resources, reduce water consumption during production and operation, and make headway in water resource utilization and recovery efficiency.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Water Resources Management – Continued

#### 2022 Key Water-saving Measures of Each Manufacturing Bases

Manufacturing Bases	Water-saving Measures
Jiangsu base	<ul style="list-style-type: none"> <li>The recycled water pipeline and plate heat exchanger for chemical plating process in Plant 2 were enlarged to increase the flow rate of recycled water and facilitate the adequate exchange between medium and recycled water. After the renovation, about 10,000 tons of pure water can be saved every year.</li> <li>Concentrated water generated during the water production of water purifiers in each plant was discharged directly to the sewer for recycling. Sewer lines were laid to the near reservoir of coarse continuous wire drawing process to use the recycled water as the make-up water. After the renovation, about 15,000 tons of industrial water can be saved every year.</li> </ul>
Shandong base	The intermediate frequency and continuous wire drawing recycled water in Phase II had abnormal water quality during operation, and was discharged and collected to a sewage station for treatment and reuse, saving approximately 7,200 tons of surface water annually.
Thailand base	On the basis of the existing rainwater collection system, the production water supply tank and the rainwater collection tank are connected, and a large flow filter was added to improve the rainwater collection capacity, increasing the original 60m <sup>3</sup> /h rainwater collection capacity to 160m <sup>3</sup> /h.

#### Water Use Performance Sheet

Indicators	Unit	2020	2021	2022
Total water consumption	m <sup>3</sup>	2,033,504	2,169,311	2,095,176
Water consumption: municipal water supply	m <sup>3</sup>	80,849	145,486	151,897
Water consumption: underground water	m <sup>3</sup>	1,636,020	1,793,755	1,767,562
Water consumption: surface water	m <sup>3</sup>	316,635	204,536	142,237
Water consumption: businesses directly collect and store rainwater	m <sup>3</sup>	0	25,534	33,480
Total recycled water	m <sup>3</sup>	69,499,322	90,467,200	93,447,461
Power consumption density (by production volume)	m <sup>3</sup> /ton product	2.34	1.95	1.99

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Water Resources Management – Continued

#### Water Use Performance Sheet of Each Manufacturing Base in 2022

Indicators	Unit	Jiangsu base	Shandong base	Thailand base
Total water consumption	m <sup>3</sup>	1,539,614	416,945	138,617
Water consumption: municipal water supply	m <sup>3</sup>	0	46,760	105,137
Water consumption: underground water	m <sup>3</sup>	142,237	0	0
Water consumption: surfacewater	m <sup>3</sup>	1,397,377	370,185	0
Water consumption: businesses directly collect and store rainwater	m <sup>3</sup>	0	0	33,480
Total recycled water	m <sup>3</sup>	88,626,087	185,811	4,635,563
Water recycling rate	%	98.29	30.82	97.10

### Raw Material and Packaging Management

The main packaging materials used by the Group in its production and operation include disc spools, dividers, plastic pallets, cartons, high-pressure bags, desiccants, and packing tape.

We have a systematic and comprehensive management mechanism for the management of packaging materials. We allocate packaging materials according to the orders of our customers, and then sort and recycle them according to the nature of different materials to continuously reduce the quantity of packaging materials used. In 2022, the recycling rate of major packaging materials such as plastic pallets, disc spools and dividers has reached over 84%.

#### Packaging Material Saving Measures of Each Manufacturing Base in 2022

Manufacturing Bases	Concrete Measures
Jiangsu base	<ul style="list-style-type: none"> <li>Welding and reusing the disc spools and pallets reduces the proportion of new disc spools and pallets;</li> <li>Strict screening and inspection of packaging materials such as partitions, pallets, and boxes reduce the use of new materials.</li> </ul>
Shandong base	<ul style="list-style-type: none"> <li>Returned used packing cartons were sorted out and removed with original labels for different customers to reduce the use of new packing materials. Dividers were reused after cleaning the dust on the surface. Desiccants were collected back and dried for reuse. Packing tapes were sorted out for different customers and welded for reuse.</li> </ul>
Thailand base	<ul style="list-style-type: none"> <li>Desiccants were collected back and dried for reuse to reduce the use of new desiccants.</li> <li>Dividers, pallets and packing boxes were strictly screened and inspected to reduce the use of new materials.</li> </ul>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Water Resources Management – Continued

#### Raw Material and Packaging Material Management Performance Sheet

Indicators	Unit	2020	2021	2022
Total amount of packaging materials used for finished products <sup>1</sup>	ton	6,992.49	13,278.95	6,841.85
Density of packaging material consumption (by volume)	kg/ton product	8.04	11.94	6.49

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

#### Raw Materials and Packaging Material Management Performance Sheet of Each Manufacturing Base in 2022

Indicators	Unit	Jiangsu base	Shandong base	Thailand base
Total amount of packaging materials used for finished products	ton	5,910.47	893.15	38.23

### Wastewater Management

The Group's wastewater discharges during its operations mainly include production wastewater (including acidic wastewater, electroplating wastewater and lubricant wastewater) and domestic wastewater.

The Group strictly complies with the relevant standards such as the *Emission Standard of Pollutants for Electroplating* (GB21900-2008, Table 2) and the *Control Standards on Wastewater Quality* announced by the Department of Industry, conducts emission management in accordance with the internally developed *Energy and Environmental Protection Management Procedures for Construction Projects* and *Wastewater Discharge Management Rules*, and formulates wastewater pollutant emission targets. Seepage control measures must be taken for all water transmission and drainage pipes and hazardous waste storage sites to eliminate all kinds of channels for wastewater seepage; accident pools and wastewater treatment areas must be impermeable and leak-proof. Jiangsu Xingda sets up 7 groundwater monitoring points, Taizhou Xingda 2 groundwater monitoring points, and Shandong Xingda 2 groundwater monitoring points in order to make regular monitoring efforts.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Wastewater Management – Continued

#### Wastewater Pollutant Discharge Targets

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

The Group has built a wastewater treatment station. All wastewater is collected at the station for treatment and then discharged after meeting the standards. The Group conducts regular monitoring of the main pollutants in wastewater to ensure that no irregular discharge of wastewater occurs. The Group's wastewater is mainly generated at wastewater outlets, and total copper and zinc are monitored daily. For total phosphorus, petroleum, and suspended solids, a third-party testing agency is engaged to conduct monthly testing. Automatic monitoring equipment is installed for the monitoring of pH value, COD and ammonia nitrogen, and the equipment is connected to the network of the environmental protection authority to achieve real-time monitoring.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Wastewater Management – Continued

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

#### List of Wastewater Reduction Measures of Each Manufacturing Base

Production Base	Emission Reduction Measures for Wastewater Pollutants
Jiangsu Base	<ul style="list-style-type: none"><li>• Running phosphoric acid waste recycling facilities to collect and treat the waste phosphoric acid generated by production lines, and to reuse it after reaching quality standards;</li><li>• Constructing waste hydrochloric acid self-use project to recycle waste hydrochloric acid from production lines; obtaining concentrated hydrochloric acid of standard concentration for reuse in pickling operation lines, and reducing the use of raw hydrochloric acid;</li><li>• Promoting the water reuse system, conducting in-depth treatment of qualified wastewater discharged from the sewage treatment station, recycling it through RO and ultrafiltration system, and reusing the qualified treated water directly to the company's industrial water main network to reduce the use of fresh water;</li><li>• Building the subsequent concentration and reuse system for electroplating effluent containing phosphorus to reduce the phosphorus emission and generation of hazardous waste (under construction).</li></ul>
Shandong Base	<ul style="list-style-type: none"><li>• Constructing pickling sludge and waste hydrochloric acid self-recycling projects and using the recycled acid in the production line to reduce the usage of raw acid;</li><li>• Renovating the acid mist purification tower for primary acid recovery and using the recycled hydrochloric acid in the production line to reduce the usage of raw acid.</li></ul>
Thailand Base	<ul style="list-style-type: none"><li>• Constructing new phosphoric acid waste recycling facilities to collect and recycle the waste phosphoric acid generated by the production line, and reusing the treated phosphoric acid up to standard for production;</li><li>• Renovating plating acid mist purification tower for primary acid recovery and using the recycled hydrochloric acid in the production line to reduce the usage of raw acid;</li><li>• Collecting all overflow water and steam condensate from the intermediate frequency cold water tank of the plating production line and recycling them to the production water supply system.</li></ul>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Wastewater Management – Continued

#### Wastewater Pollutant Discharge Performance Sheet

Indicators	Unit	2020	2021	2022
Industrial wastewater discharge	10,000 m <sup>3</sup>	124.9	132.19	91.76
Chemical oxygen demand (COD) emissions	ton	56.99	69.62	23.34
Biochemical oxygen demand (BOD) emissions <sup>1</sup>	ton	–	0.09	0.07
Ammonia nitrogen (NH <sub>3</sub> -N) emissions	ton	0.91	0.90	0.41

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

#### Wastewater Pollutant Discharge Performance Sheet of Subsidiaries in 2022

Indicators	Unit	Jiangsu	Taizhou	Shandong	Xingda
		Xingda	Xingda	Xingda	Thailand
Industrial wastewater discharge	10,000 m <sup>3</sup>	79.66	5.58	3.59	2.93
Chemical oxygen demand (COD) emissions	ton	20.54	1.36	0.68	0.76
Biochemical oxygen demand (BOD) emissions	ton	0.00	0.00	0.00	0.07
Ammonia nitrogen (NH <sub>3</sub> -N) emissions	ton	0.37	0.03	0.01	0.00

### Waste Gas Management

The Group's production activities generate emissions from HCl exhaust gas from the pickling process, exhaust gas from natural gas combustion of the open fire furnace, sintering exhaust gas from the solid waste disposal plant, and combustion exhaust gas from the natural gas emergency boiler. The main atmospheric pollutants generated include nitrogen oxides, sulfur dioxide, particulate matter, hydrogen chloride gas and soot.

The Group complies with relevant standards such as the *Law of the People's Republic of China on the Prevention and Control of Air Pollution, Integrated Emission Standard of Air Pollutants* (GB16297-1996). The Group has formulated air pollutant emission targets and conducts emission management in accordance with internally developed *Air Pollution Prevention and Control Management Procedures and Acid Mist Purification and Treatment Operation Guideline* to clarify the responsibilities of each department and air pollutant disposal procedures; make records as required and formulate written management documents such as *Exhaust Gas Treatment Effect Test Report*.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Waste Gas Management – Continued

#### Emission Targets of Air Pollutants

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

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Waste Gas Management – Continued

The Group conducts regular internal and external testing of air emissions, and gradually installs additional online monitoring devices to ensure that emission abnormalities can be detected and effectively dealt with in a timely manner, so as to ensure the compliance of exhaust gas emissions. In terms of internal testing, the Group has installed online monitoring devices to monitor hydrogen chloride tail gas in real time for internal management. The Company's big data platform has set corporate standards that are stricter than national standards. Once abnormal data is detected, the platform immediately pushes early warning information to the cell phone of relevant personnel to ensure timely response. In terms of external testing, the Group regularly commissions a third-party testing agency to conduct tests on various types of exhaust vents. In 2022, all internal and external testing results were satisfactory.

### List of Waste Gas Generation Links and External Monitoring Frequencies of Each Manufacturing Base

Manufacturing Bases	Generation Link	Monitoring Frequency
Jiangsu base	Sintering waste gas from solid waste workshop	Entrust a third-party testing agency to test the content of heavy metals quarterly
	Unorganized waste gas in the plant area	Entrust a third-party testing agency to conduct regular testing (according to the frequency of self-monitoring scheme for pollutant discharge permit)
	Waste gas from pickling in workshop	Engage a third-party testing agency to conduct testing semi-annually
	Waste gas from natural gas combustion of open flame furnace in workshop	Engage a third-party testing agency to conduct testing annually
Shandong base	Unorganized waste gas in the plant area	Entrust a third-party testing agency to conduct regular testing (according to the frequency of self-monitoring scheme for pollutant discharge permit)
	Waste gas from pickling in workshop	Entrust a third-party testing agency to conduct testing semi-annually
	Waste gas from natural gas combustion of open flame furnace in workshop	Entrust a third-party testing agency to conduct testing monthly (according to the frequency of self-monitoring scheme for the changed pollutant discharge permit)
Thailand base	Waste gas from natural gas combustion of open flame furnace in workshop	Engage a third-party testing agency to conduct testing semi-annually
	Waste gas from pickling in workshop	Engage a third-party testing agency to conduct testing semi-annually
	Waste gas from steam boiler combustion	Engage a third-party testing agency to conduct testing semi-annually

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Waste Gas Management – Continued

Jiangsu Xingda has carried out batch renovations of the hydrochloric acid mist purification tower of each branch plant. Through the renovation, the use of raw hydrochloric acid in the operation line was reduced, and the use of secondary liquid alkali and the concentration of hydrogen chloride emissions were reduced. In addition, Jiangsu base strengthened the maintenance of online hydrogen chloride monitoring facilities to monitor hydrogen chloride emissions in real time and maintain the equipment of acid mist purification towers in each branch plant. In 2022, Jiangsu Xingda upgraded its pickling waste gas purification facilities to reduce equipment operation energy consumption, improve acid mist treatment efficiency, and lower pollutant emissions.

### Air Pollutant Emission Performance Sheet

Indicators	Unit	2020	2021	2022
Total exhaust emission	10,000 m <sup>3</sup>	431,161.37	396,348.32	369,787.04
Particulate matter (PM) emissions <sup>1</sup>	ton	1.84	2.71	3.03
Sulfur dioxide (SO <sub>2</sub> ) emissions	ton	23.52	33.86	14.99
Nitrogen oxide (NO <sub>x</sub> ) emissions	ton	36.81	45.12	28.44

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

### Air Pollutant Emission Performance Sheet of Subsidiaries in 2022

Indicators	Unit	Jiangsu Xingda	Taizhou Xingda	Shandong Xingda	Xingda Thailand
Total exhaust emission	10,000 m <sup>3</sup>	300,174.00	25,183.00	9,961.62	34,468.42
Particulate matter (PM) emissions	ton	1.52	0.59	0.44	0.48
Sulfur dioxide (SO <sub>2</sub> ) emissions	ton	4.71	7.61	1.27	1.40
Nitrogen oxide (NO <sub>x</sub> ) emissions	ton	26.66	1.52	0.21	0.05

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Waste Management

The main hazardous wastes generated by the Group in the production process include pickling sludge, surface treatment sludge, waste hydrochloric acid, waste machine oil, waste lead batteries, electroplating sludge, waste emulsion, and packaging auxiliary materials. The general wastes generated include production wastes such as iron scraps, waste steel wires, waste equipment, waste accessories, waste packaging, and waste workwear, as well as domestic wastes generated from daily activities.

### List of Laws and Regulations Related to Waste Management

Regions	Applicable Laws and Regulations
China	<i>Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, National Catalogue of Hazardous Wastes (2021 Edition), etc.</i>
Thailand	<i>Notification of the Industrial Estate Authority: Industrial Waste Management and Disposal B.E. 2548 (2005), Public Health Act B.E. 2535 (1992), and Notification of the Industrial Estate Authority No. 79/2554: Disposal of Industrial Wastes, Refuse and Sewage</i>

### Solid Waste Discharge Targets

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

The Group has formulated the *Solid Waste Management Process* to clarify the definition of waste and departmental responsibilities, clarify waste disposal and management methods, and keep records as required to form the written management documents such as *Solid Waste Temporary Storage and Disposal Form*. The Group never allows the illegal outflow of the wastes from any channel that poses a potential threat to the environment and the community.

The Group's hazardous wastes are entrusted to qualified organizations for disposal and utilization, except for pickling sludge and waste hydrochloric acid for which the company has built its own utilization project.

The Group has increased investment in environmental protection and management facilities, equipped itself with corresponding environmental protection and pollution control facilities while investing in production lines, and introduced new technologies and equipment to reduce the generation of solid waste.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Waste Management – Continued

#### List of Solid Waste Reduction Measures of Each Manufacturing Base

Manufacturing Bases	Solid Waste Reduction Measures
Jiangsu base	<ul style="list-style-type: none"> <li>• Jiangsu Xingda installs new filter presses at the sewage stations in the southern and northern production zones to reduce the sludge water content and the generation of hazardous waste.</li> <li>• In the project of integrating and upgrading the lubricant film treatment facilities of the sewage station in the northern production zone, Jiangsu Xingda upgrades the original two systems into one system, reducing process control points, improving treatment efficiency, and lowering the amount of hazardous waste generated;</li> <li>• Jiangsu Xingda and Taizhou Xingda use abrasives rust removal instead of pickling rust removal in some pretreatment production lines to reduce the use of hydrochloric acid.</li> <li>• Jiangsu Xingda and Taizhou Xingda promote the recycling of electroplating pickling wastewater for primary acid recovery in the acid mist purification tower in order to reduce the generation of acidic wastewater and pickling sludge.</li> </ul>
Shandong base	<ul style="list-style-type: none"> <li>• New filter presses are installed at the new sewage station to reduce the sludge water content and the generation of hazardous waste;</li> <li>• One new lubricant film treatment facility is installed at the new sewage station to enhance the treatment efficiency of lubricants, and reduce the generation of hazardous waste;</li> </ul>
Thailand base	<ul style="list-style-type: none"> <li>• Coils are added to the tanks of electroplating lines, and a circulating pump is used to circulate and exchange the heat of the hot water in the coils with the acid pickling tank, and the hot water washing, soaping tanks, reducing the generation of wastewater and pickling sludge.</li> <li>• The electroplating acid wastewater is connected to the primary spraying system of the acid mist purification tower to use it as the make-up water for reclaimed acid, so as to reduce the emission of acid wastewater, increase the use of recycled reclaimed acid, and decrease the generation of pickling sludge.</li> </ul>

The Group issues documents such as *Hazardous Solid Waste Management System*, *Hazardous Solid Waste Emergency Plan* and *List of Xingda's Hazardous Waste*, formulates annual management plans that have all been registered with the competent ecological and environmental authorities, manages the accounts of temporary hazardous waste storage sites, improves identification labels, and implements the online declaration and transfer system.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Waste Management – Continued

#### List of Hazardous Waste Management Measures of Each Manufacturing Base

Manufacturing Bases	Hazardous Waste Management Measures
Jiangsu base	<ul style="list-style-type: none"> <li>Supervise the generation, warehouse entry, storage, transfer and disposal of hazardous wastes throughout the Group, and follow Jiangsu Province’s hazardous waste lifecycle monitoring system for standardized management to achieve full process tracking of hazardous wastes and improve the informatization level of hazardous waste management.</li> </ul>
Shandong base	<ul style="list-style-type: none"> <li>Shandong base carries out the whole-process and information-based supervision of hazardous waste through Shandong Solid Waste and Hazardous Chemicals Intelligent Supervision Platform, increases investment in environmental protection and management facilities, equipped with corresponding environmental protection and pollution control facilities while investing in production lines, and introduces new technologies and equipment to reduce the generation of solid waste.</li> </ul>
Thailand base	<ul style="list-style-type: none"> <li>Entrust qualified units for disposal, implement the online voucher declaration and transfer system in accordance with the Regulations on <i>Waste Disposal</i> and <i>Regulations on Hazardous Waste Transportation Voucher System</i> issued by the Ministry of Industry of Thailand, and supervise the generation, warehousing, storage, transfer and disposal of hazardous waste.</li> </ul>

#### Solid Waste Emission Performance Sheet

Indicators	Unit	2020	2021	2022
Total amount of hazardous waste generated	ton	43,492.93	71,384.98	30,772.10
Hazardous waste generation density (By production volume)	kg/ton	49.99	64.16	29.18
Total amount of non-hazardous waste generated	ton	21,232.23	28,532.4	28,677.49
Non-hazardous waste generation density (By production volume)	kg/ton	24.41	25.65	27.19

#### Solid Waste Discharge Performance Sheet of Subsidiaries in 2022

Indicators	Unit	Jiangsu Xingda	Taizhou Xingda	Shandong Xingda	Xingda Thailand
Total amount of non-hazardous waste generated	ton	25,351.00	2,783.00	1,481.50	1,156.60
Total amount of hazardous waste generated	ton	25,424.40	19.27	1,631.70	1,602.12

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Climate Change Mitigation and Adaptation

Global climate change not only brings various extreme weather, but also seriously affects extensive economic and social activities. With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), the Group has established a climate change management system covering four areas: governance, strategy, risk management, and objectives and performance.

#### Climate Change Management System





# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – *CONTINUED*

### Climate Change Mitigation and Adaptation – *Continued*

#### *Governance*

The Group has actively paid attention to the trend of global climate change, and set up a Green Vanguard Team under its Sustainable and High-Quality Development Strategy Committee as a management facilitator for the issue of climate change, which is responsible for identifying risks and opportunities related to climate change and continuously improving management measures based on findings to minimize the carbon footprint of our operations.

#### *Strategy*

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

In terms of developing and using clean energy, the Group plans to take the use of clean energy into consideration during the construction of new plants, and to further expand the proportion of renewable energy use.

In 2022, the Group vigorously promoted the establishment of a solar photovoltaic power generation system, and the first branch of Jiangsu base completed a 7.6MW photovoltaic power station in August 2022. In addition, Jiangsu base has connected 7 natural gas boilers to the grid for heating, while constructing 5 open hearth furnace flue gas waste heat recovery and utilization boilers, which utilize the heat of natural gas combustion exhaust gas to prepare steam, and assist gas fired boilers to supply steam for electroplating lines, thereby reducing additional energy demand and greenhouse gas emissions.

By comparing the energy use efficiencies and greenhouse gas emissions of open hearth furnace flue gas waste heat recovery and utilization boilers, natural gas boilers and coal-fired boilers in the thermal power plant, Jiangsu base officially shut down coal-fired boilers in the thermal power plant in 2022. In 2022, the Group reduced 155,751 tons of coal consumption, and emissions of various atmospheric pollutants also witnessed a reduction.

In terms of regular information disclosure and communication, the Group adheres to the principle of openness and transparency, and regularly discloses carbon emission data in its ESG reports. The Group responds to the CDP Climate Change Questionnaire every year and obtains a B rating in the Questionnaire in 2022. In addition, we also actively communicate with our customers, suppliers and other value chain partners to exchange plans and milestones in low-carbon transformation and greenhouse gas emission reduction. Adhering to the principle of sustainability in business development and continuous reduction of environmental impact in sustainable procurement, the Group requires suppliers to promote sustainable development practices, develop environmental management systems and procedures, and continuously reduce their environmental impact, including reducing waste generation, greenhouse gas emissions, as well as water and energy consumptions.

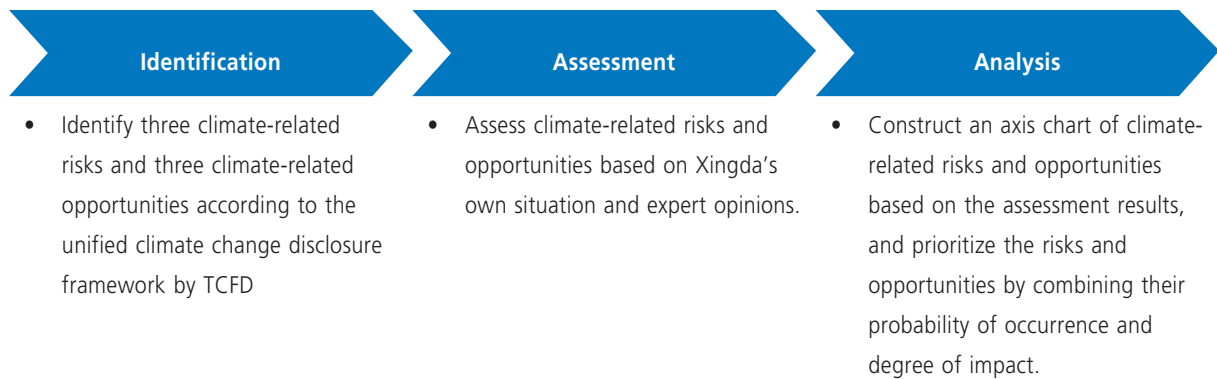
# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

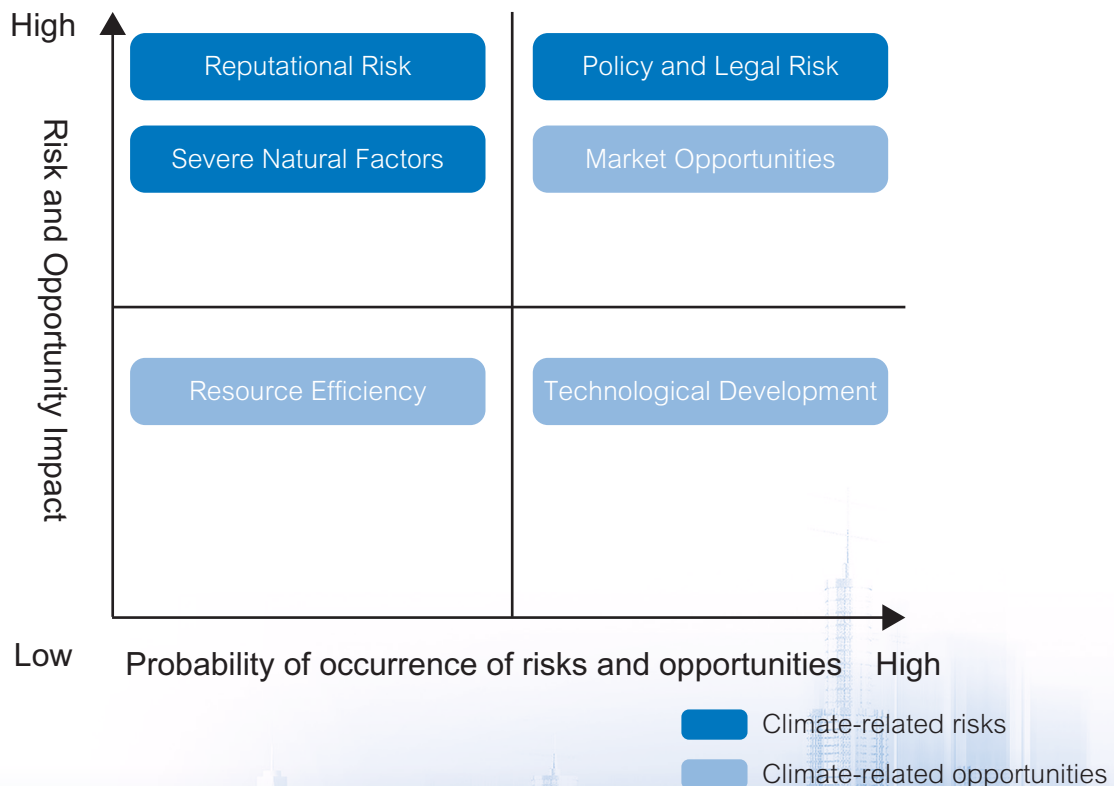
### Risk Management

The basis for climate issue management is to identify risks and opportunities associated with climate change. Climate change issues are closely related to greenhouse gas emissions. The Group identifies, assesses, and analyzes risks and opportunities to make clear key climate change risks and opportunities related to its operations, and accordingly continuously improves management to minimize the impact of its operational activities on climate and the environment.

### Climate Related Risks and Opportunities Analysis Approach



### Climate Related Risks and Opportunities Axis Chart



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

### Risk Management – Continued

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

### Financial Impact Analysis of Climate-Related Risks

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

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

Risk Management – *Continued*

### Financial Impact Analysis of Climate-Related Opportunities

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

### Objectives and Performance

The Group calculates and sets climate change related targets based on continuous annual greenhouse gas emissions data. In 2022, the Group officially submitted a carbon reduction commitment to the Science Based Targets initiative (SBTi), aiming to achieve comprehensive carbon neutrality by 2050.

### Climate Change Objectives

- By 2025, the proportion of clean energy use will reach 30%.
- By 2050, achieve comprehensive carbon neutrality.

The Group continuously monitors carbon emissions per unit product. In 2022, the Group has achieved carbon emissions per unit product of 1.16 tons/ton of products, a decrease of 18.31% compared to 2021.

We have identified the following categories of GHG emissions and related data generated from our production and operations.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

Objectives and Performance – *Continued*

### Sources of GHG Emissions in Different Categories

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

### GHG Emissions Performance Sheet

Indicators	Unit	2020	2021	2022
Scope I greenhouse gas emissions <sup>1</sup>	tCO <sub>2</sub> e	402,382.17	480,488.84	174,035.34
Scope II greenhouse gas emissions <sup>2</sup>	tCO <sub>2</sub> e	880,098.95	1,098,466.61	1,051,990.24
Scope II purchased electricity (China)	tCO <sub>2</sub> e	867,842.95	1,067,541.97	1,021,872.19
Scope II purchased electricity (Thailand)	tCO <sub>2</sub> e	12,256.00	30,924.65	30,118.05
Greenhouse gas emissions (Scope I and Scope II)	tCO <sub>2</sub> e	1,282,481.13	1,578,955.46	1,226,025.57
Greenhouse gas emission intensity (By production volume)	tCO <sub>2</sub> e/ton product	1.47	1.42	1.16

1. Scope-1 GHG emissions are calculated with reference to the *Corporate GHG Emissions Accounting Methodology and Reporting Guidelines for Power Generation Facilities* (revised version 2022) and the *Corporate GHG Emissions Accounting Methodology and Reporting Guidelines for Other Industries*.
2. Scope-II GHG emissions were calculated based on the emission factors of the power grid in each region. In the *Online CO<sub>2</sub> Accounting System* issued by Jiangsu provincial government in 2019, the power supply emission factor of Jiangsu province in 2020 and 2021 was set to 0.6829 kg/kWh; Shandong Province's power supply emission factor is set at 0.8843 kg/kWh based on the 2012 North China regional grid factor in the China Development and Reform Commission's *China Regional Grid Average CO<sub>2</sub> Emission Factors for 2011 and 2012* (2020 emission data has been adjusted accordingly). According to the Power Development Plan of Thailand released by the Energy Policy and Planning Office on June 30, 2015, the power supply emission factor for Thailand was set at 0.383 kg/kWh.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Environmental Responsibility – CONTINUED

Objectives and Performance – *Continued*

### Greenhouse Gas Emissions Performance Sheet of Each Manufacturing Base in 2022

Indicators	Unit	Jiangsu base	Shandong base	Thailand base
Scope I greenhouse gas emissions	tCO <sub>2</sub> e	155,757.42	12,127.13	6,150.79
Scope II greenhouse gas emissions	tCO <sub>2</sub> e	849,548.65	172,323.54	30,118.05
Scope II purchased electricity (China)	tCO <sub>2</sub> e	849,548.65	172,323.54	–
Scope II purchased electricity (Thailand)	tCO <sub>2</sub> e	–	–	30,118.05
Greenhouse gas emissions (Scope I and Scope II)	tCO <sub>2</sub> e	1,005,306.07	184,450.67	36,268.83

## Social Responsibility

### Product and Service Quality Management

The Group is a professional supplier of rubber reinforcement materials. Our products include steel cord, bead wire and hose wire, etc. Our customers include leading tire and hose manufacturers at home and abroad. We are committed to being a reliable products and services provider. By strictly complying with relevant laws and regulations and ensuring high standards of quality and services, we have been able to continuously enhance customer loyalty and build trustful relations.

### List of Applicable Laws and Regulations

Regions	Applicable Laws and Regulations
China	<i>Law of the People's Republic of China on Product Quality, Law of the People's Republic of China on Standardization and Rules for the Administration of Industrial Production Licenses, etc.</i>
Thailand	<i>Thailand's Product Liability Act B.E. 2551, Consumer protection Act, B.E. 2522, etc.</i>

The Group's subsidiaries Jiangsu Xingda and Taizhou Xingda have passed the certification of IATF 16949: 2016 quality management system, and have improved the detailed management mechanism of each product quality testing process in accordance with the management system standards. Jiangsu Xingda has set up *Inspection Regulations* to clarify the quality control parameters of steel cord, bead wire, hose wire and chemical solutions, as well as the inspection and sampling methods, inspection frequency, and acceptance guidelines of semi-finished products and finished goods.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Product and Service Quality Management – Continued

#### Status of Subsidiaries Obtaining Certification of Quality Management System

Company Abbreviation	Certification Scope	Certifications Approved	Certification Validity Period
Jiangsu Xingda (including Shandong Xingda and Xingda Thailand)	Steel cord for radial tire, steel wire for tire bead	IATF 16949: 2016	March, 2024
Taizhou Xingda	Manufacturing of steel wire for rubber hose reinforcement, galvanized steel wire	IATF 16949: 2016	March, 2025

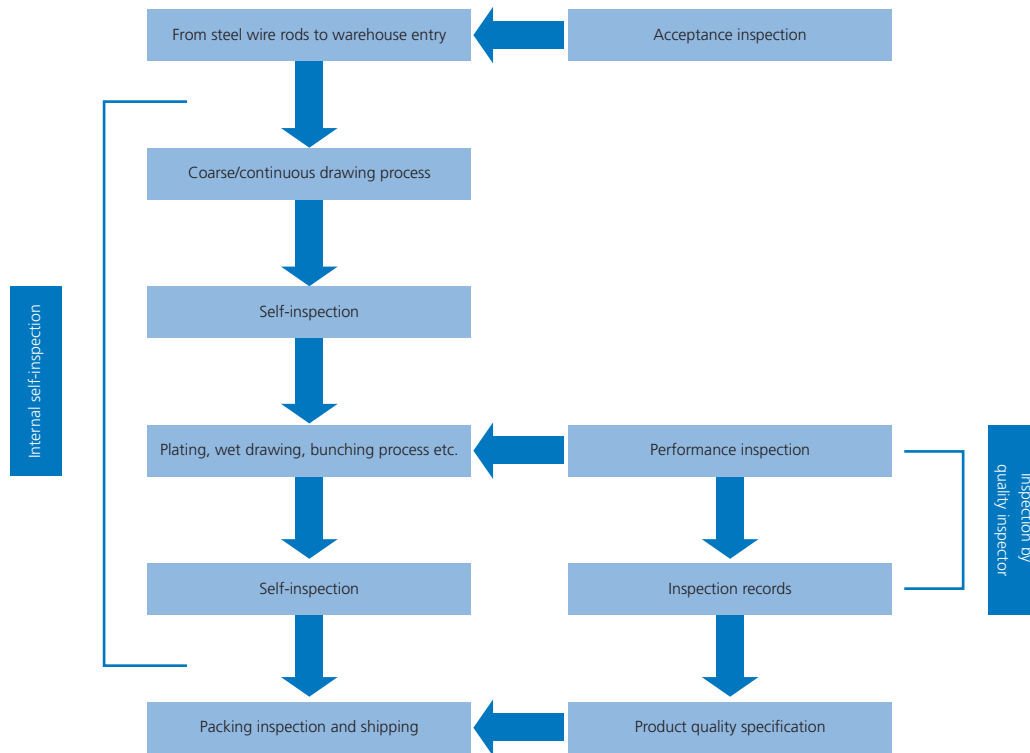
The quality of our products is subject to two levels of inspection: self-inspection and sampling inspection. In the case of steel cord products, for example, Jiangsu Xingda's quality inspection covers every process after warehouse entry until the final packing and shipping. After each process is completed,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

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

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Product and Service Quality Management – Continued



### Product Quality Inspection Process

In terms of product quality management, the Group has established the Quality Manual, which sets out the Group’s quality policy and the scope of the quality management system, serving as a programmatic document for our minimum requirements for quality management and external quality commitments. The Group has established 33 procedural documents such as *Inspection Regulations*, *Control of Non-conforming Products from Suppliers*, *Control of Process and Final Non-conforming Products* and *Internal Quality Audit* to standardize production process management and product quality management throughout the product lifecycle.

In terms of quality training, in 2022, the Group organized 185 internal and external trainings related to quality, including 180 internal trainings and 5 external trainings. In addition, the Group has also participated in two quality training sessions organized by customers. Among them, Six Sigma management training is closely related to the quality management system, helping to improve the company’s overall quality management ability.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Product and Service Quality Management – Continued

In 2022, Jiangsu Xingda participated in the revision of the international standard ISO 23717:2022 *Steel Wire and Wire Products. Hose Reinforcement Wire*; passed the on-site audit of Jiangsu Boutique and met the requirements of T/JSQA067-2020 and DB/T32 3843-2020 *General Evaluation Rules of Jiangsu Boutique*; was awarded the Excellence Award and the Best Quality Improvement Plan Award issued by CEAT of India. Among them, the project on “How to improve the qualification rate of 0.25+6+12x0.225 HT steel cord products” focuses on the solution and experience in the implementation of project improvement process, highlighting the high-quality management level.

The Group manages its non-conforming products and product recall procedures through the *Product Recall Management System, Regulations for the Handling of Returned Products, Regulations for the Management of Non-conforming Products, Methods of Classification and Disposal of Non-conforming Products and Inspection Regulations*.

In 2022, the Group did not have any incidents requiring recovery due to product safety reasons, nor any violations of laws and regulations in the health and safety aspects of the products and services provided.

### Product and Service Quality Management Performance Sheet

Indicators	Unit	2020	2021	2022
Percentage of products that must be recovered for safety and health reasons of the total products sold or shipped	%	0	0	0
Number of complaints received regarding products and services	case	40	34	56
Complaint handling rate	%	100	100	100

### Product and Service Quality Management Performance Sheet of Subsidiary in 2022

Indicators	Unit	Jiangsu Xingda	Taizhou Xingda	Shandong Xingda	Xingda Thailand
Percentage of products that must be recovered for safety and health reasons of the total products sold or shipped	%	0	0	0	0
Number of complaints received regarding products and services	case	38	9	3	6
Complaint handling rate	%	100	100	100	100

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### R&D Innovation

The Group attaches great importance to R&D innovation, has an excellent technology R&D team and excellent R&D capabilities, and continuously improves process technology based on market demand.

#### List of Laws and Regulations Related To R&D Innovation

##### Regions

##### Applicable Laws and Regulations

China

*Law of the People's Republic of China on Science and Technology Progress, Patent Law of the People's Republic of China, etc.*

Based on benchmarking national policies and industry development, the Group has developed a sustainable development action plan, with “green products and solutions” as a key focus area. As a part of the automotive industry chain, Jiangsu Xingda plans to achieve its own energy conservation, consumption reduction, and material recycling through innovation, to reduce the impact on the environment throughout the entire life cycle of product production. Jiangsu Xingda also actively carries out carbon troubleshooting, as well as carbon footprint accounting for products, to understand its own carbon emissions status and emission reduction potential, and lay a foundation for promoting the green development of the industrial chain.

In product design, Jiangsu Xingda actively promotes the upgrading of tire cord product strength grades from NT/HT to ST/UT. The upgraded products can help achieve lightweight and low-carbon tires, and further improve fuel economy, while ensuring the tire performance remains unchanged.

In product production, steel is an important raw material in the production process of the Group. Following the principle of “Reduce, Reuse and Recycle”, we strive to gradually increase the proportion of recycled steel in the raw materials for steel cord to achieve a circular economy. Jiangsu Xingda has set goals for the recycling and utilization of raw materials, identified technical difficulties in improving the recycling rate of raw materials, and is actively pursuing strategic cooperation with upstream suppliers to develop an action plan to gradually increase the recycling rate of raw materials.

#### Raw Material Recycling Target

- 40% recycled steel in 2030

At the same time, Jiangsu Xingda has supported and participated in projects carried out by relevant government departments to promote the application of scientific and technological achievements, including the High Value Patent Cultivation Project of Jiangsu Province and the Taizhou Xingda Major Science and Technology Achievement Transformation Project.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### R&D Innovation – Continued

#### R&D Innovation Performance Sheet

Indicators	Unit	2020	2021	2022
R&D investment	RMB 10,000	10,850	13,880	16,923
Proportion of R&D expenses in operating income	%	1.41	1.30	1.57
Number of R&D personnel	person	745	760	780
Proportion of R&D personnel <sup>1</sup>	%	13.96	14.53	14.81

<sup>1</sup> R&D personnel are mainly concentrated in Jiangsu Xingda, and the statistical range of R&D personnel is Jiangsu Xingda, excluding Taizhou Xingda, Shandong Xingda and Xingda Thailand.

### Responsible Marketing

In terms of product and service labeling, the Group is committed to carrying out sales and marketing practices that comply with laws and regulations, social norms, and ethical standards. The Group has formulated the *Responsible Marketing Policy* and the *Identification and Traceability Management System* to strictly implement the management of product labels.

#### Responsible Marketing Commitment

- Comply with all laws and regulations related to marketing practices and industry norms applicable to the countries or regions where the company operates.
- Conduct legal, honest, accurate, and scientific communication based on facts, and refrain from any false or misleading publicity to customers, and refrain from publishing false or exaggerated advertisements and logos.
- 100% of advertising and marketing activities are subject to internal review to ensure authenticity, accuracy, and compliance.
- Fully respect and protect customer privacy and data.

#### List of Laws and Regulations Related to Responsible Marketing

Regions	Applicable Laws and Regulations
China	<i>Advertising Law of the People's Republic of China, etc.</i>

In 2022, the products and services provided by the Group did not violate laws and regulations in terms of health, safety, and labeling.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Data Security and Customer Privacy Protection

The Group attaches great importance to data security and privacy protection, and strictly protects commercial information in accordance with the established *Information Security Management System*, employee confidentiality regulations and other systems. In 2022, Jiangsu Xingda provided training for information engineering team members on missed scanning of systems, antivirus, security awareness platforms, and daily operations to enhance their understanding of information security related issues.

#### List of Laws and Regulations Related to Data Security and Customer Privacy Protection

Regions	Applicable Laws and Regulations
China	<i>Data Security Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China, etc.</i>
Thailand	<i>Personal Data Protection Act, etc.</i>

The Group prevents third-party data from being illegally accessed or disclosed by installing antivirus software on servers, deploying security awareness platforms and vulnerability scanning systems, etc. to restrict unauthorized employees or third parties from obtaining customer data in physical or digital ways.

The Group has built and launched the Xingda Knowledge Base System to enhance the controllability and traceability of document management. In this system, all internal documents of the Group are encrypted, and hierarchical authority management is implemented for document reading, modification, and downloading. If employees without permission need to use encrypted files, they need to apply for process approval.

In 2022, Jiangsu Xingda invited professional third-party agencies to assess risks related to information security and system operation security during operation, and monitored the effectiveness of the information security control system by conducting internal audits of information security.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Data Security and Customer Privacy Protection – *Continued*

#### Key points of data and information security management and evaluation:

- Conduct real-time monitoring and early warning for the entire network, and focus on external attack events;
- Safe operation of assets, sorting and integrating asset information, classifying and grading assets, and managing asset changes for assets within the service, etc.;
- Vulnerability risk management and control, continuous tracking of loopholes and ongoing improvement based on business weaknesses;
- Security threat management, security threat detection and response, and external threat response and processing;
- Security incident management, continuous detection and response of security incidents.

In terms of preventing information security breaches, the Group makes it clear that employees can communicate through IT management personnel and departments, so that all parties can report information security vulnerabilities and related issues.

In 2022, the Group found no significant violations of data privacy matters.

### Intellectual Property Protection

The Group's Intellectual Property Management Department improved the protection and management of intellectual property rights in accordance with the *Measures for the Management of Intellectual Property Rights*, and strengthened the management by setting up confidentiality clauses for employees and providing theoretical and practice-related training for employees of the intellectual property department.

#### List of Laws and Regulations Related to Intellectual Property Protection

Regions	Applicable Laws and Regulations
China	<i>Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Intellectual Property Law of the People's Republic of China, etc.</i>
Thailand	<i>Patent Act B.E. 2535, Trademark Act B.E. 2534, Copyright Act B.E. 2537, Industrial Design Act, etc.</i>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Intellectual Property Protection – *Continued*

While strengthening innovative research and development, the Group is determined to safeguard its own intellectual property rights without infringing on the intellectual property rights of others, with a focus on the protection of technological innovation achievements and intangible assets such as trademarks, patents and copyrights. Through a standardized intellectual property management system and the establishment of clear reporting and usage procedures, the management, protection and utilization of intellectual property rights can be carried out in an orderly manner in accordance with the law. By the end of 2022, Jiangsu Xingda had passed the certification of GB/T 29490-2013 *Enterprise Intellectual Property Management* (valid until December 28, 2024).

### Progress in Intellectual Property Rights of Each Subsidiary in 2022

Name of Subsidiary	Progress in Intellectual Property
Jiangsu Xingda (including Shandong Xingda and Xingda Thailand)	<ul style="list-style-type: none"><li>• 42 patents are under application, including 22 invention patents and 3 PCT patent applications. There are 56 authorized patents, including 12 invention patents and 3 PCT patents.</li><li>• By the end of 2022, it had 496 valid authorized patents, including 91 invention patents and 6 PCT patents.</li></ul>
Taizhou Xingda	<ul style="list-style-type: none"><li>• By the end of 2022, it had 6 valid authorized utility model patents, 1 invention patent under substantial examination. In 2022, 2 authorized utility model patents were obtained.</li></ul>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Employment and Labor Practices

#### Employment

With the employee management policy of “understanding human needs, respecting human values, developing human potential, encouraging human creativity, and promoting the common development of employees and the company”, the Group strictly abides by the laws and regulations of China and Thailand on employee employment and international labor conventions, develops systems such as the *Recruitment Management System of Xingda*, the *Management System for Signing Labor Contracts*, the *Management Measures on Prohibition of Employment of Child Labor*, the *Management System on Prohibition of Forced Labor*, and the *Employee Handbook*, which clearly stipulate the strict prohibition of child labor and any form of forced labor, and ensure the standardization, fairness, and transparency of the entire process of employee recruitment, employment, and resignation of the Group. Adhering to equal employment, a labor contract is signed with each employee in accordance with the law to protect their legitimate rights and interests.

#### List of Applicable Laws and Regulations for Employment

##### Regions

##### Applicable Laws and Regulations

China

*Labor Law of the People’s Republic of China, Labor Contract Law of the People’s Republic of China, etc.*

Thailand

*Thailand Labor Protection Act, Thailand Revenue Code, etc.*

The Group explicitly specifies the prohibition of child labor in its recruitment system. During the recruitment process, the identity information of candidates is closely reviewed to avoid incidents of child labor. The Group has formulated specific remedial measures to protect the legitimate rights and interests of child workers who may be wrongly recruited.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Employment and Labor Practices – Continued

#### Employment – Continued

#### Remedial Measures for Child Labor of the Group

- Stop working immediately.
- Provide a physical examination and treat those who are found to be ill.
- The company assigns personnel to escort them home, or notifies their guardians to pick up them and sign the acceptance letter.
- The cost of escorting child workers back to their original place of residence is fully borne by the company, and support will be provided as the case may be to promote child workers to receive school education until they exceed the age as a child.
- Be responsible for the treatment of sick or disabled child workers before being sent back to their original place of residence, and bear all medical and living expenses occurring during treatment.
- Strictly prohibit irresponsibly dismissal of child workers. Departments or individuals responsible for work-related injuries, disabilities, and deaths of child workers will be put under administrative penalties by labor and social security authorities at or above the district level. If a crime is constituted, we will report to the judicial organ to investigate criminal liabilities according to law.

To avoid any form of forced labor within the Group, the Group irregularly conducts surveys on each manufacturing base to keep up with whether there is a situation of forced labor. The Group also encourages employees to actively report any actual or suspected forced labor behavior through channels such as the democratic life meeting and the Welfare Committee (Thailand).

The Group adheres to the concept of “equality, openness, competition, and prioritizing” and “internal priority”, and formulates the *Management Regulations on Anti-Discrimination, Anti-Harassment and Anti-Abuse* system to create a diverse, equal, and inclusive workplace environment. The Group follows the policy of equal pay for equal work, ensuring that every candidate and employee can be treated equally within the Group regardless of race, gender, age, religious belief, etc. The Group makes efforts to avoid any form of discrimination and prejudice as far as possible in the recruitment process, and actively provides job opportunities for vulnerable groups such as ethnic minorities and people with disabilities. In addition, the Group has built a baby care room to meet the special needs of female employees during breastfeeding.

The Group provides all employees with a legitimate and unimpeded channel and an open and impartial way to receive employee complaints. When employees suffer from discrimination, harassment, etc., they can lodge complaints through the channels designated by the company. Jiangsu Xingda clearly stipulates the remedial procedures for identified cases of discrimination and harassment in its *Employee Handbook*.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Employment and Labor Practices – Continued

#### Employment – Continued

In 2022, the Group's female employees accounted for 28.47%, ethnic minority employees for 0.85%. In 2022, the Group had no violations against employment related laws and regulations.

#### Employment Performance Sheet

Indicators	Unit	2020	2021	2022
<b>Number of employees</b>				
Total number of employees	person	7,081	7,842	7,384
Number of male employees	person	4,927	5,445	5,282
Number of female employees	person	2,154	2,397	2,102
Number of employees under labor contract	person	7,081	7,842	7,384
Number of employees on labor dispatch	person	0	0	0
Number of part-time employees	person	0	0	0
Number of employees under 30 years old	person	1,527	1,384	1,235
Number of employees aged 30-50	person	5,086	5,971	5,622
Number of employees over 50 years old	person	468	487	527
Number of employees working in Chinese Mainland	person	6,585	7,001	6,688
Number of employees working in Thailand and other countries or regions	person	496	841	696
Number of general employees	person	6,932	7,683	7,220
Number of middle-level employees	person	133	139	151
Number of senior-level employees	person	16	20	13
Number of ethnic minority employees <sup>1</sup>	person	–	–	63
Proportion of ethnic minority employees	%	–	–	0.85
<b>Employee turnover rate<sup>2</sup></b>				
Employee turnover rate	%	17.95	24.16	23.70
Male employee turnover rate	%	17.61	24.34	23.69
Female employee turnover rate	%	18.72	23.74	23.70
Turnover rate of employees under 30 years old	%	17.64	31.35	30.34
Turnover rate of employees aged 30-50	%	16.87	21.31	21.30
Turnover rate of employees over 50 years old	%	28.88	33.83	30.66
Employee turnover rate in Chinese Mainland	%	16.73	22.87	21.70
Turnover rate of employees working in Thailand and other countries or regions	%	31.30	33.41	38.68

1 There are no ethnic minorities in Thailand.

2 In response to the rising employee turnover rate, the Jiangsu base, Shandong base, and Thailand base will further elevate the automation level of production lines, reduce the work intensity of frontline employees, and improve the work environment. In addition, the Group will sharpen the vocational skills of employees through various types of training to meet the requirements of intelligent green factories. The Jiangsu base, Shandong base, and Thailand base will continue to make success in employee care and employee opinion collection, so that employees can better participate in the company's management and strive to strengthen their job satisfaction.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Employment and Labor Practices – Continued

#### Employment – Continued

#### Employment Performance Sheet of Employees of Major Subsidiaries in 2022

Indicators	Unit	Jiangsu Xingda <sup>1</sup>	Taizhou Xingda
<b>Number of employees</b>			
Total number of employees	person	7,074	310
Number of male employees	person	5,025	257
Number of female employees	person	2,049	53
Number of employees under labor contract	person	7,074	310
Number of employees on labor dispatch	person	0	0
Number of part-time employees	person	0	0
Number of employees under 30 years old	person	1,173	62
Number of employees aged 30-50	person	5,405	217
Number of employees over 50 years old	person	496	31
Number of employees working in Chinese Mainland	person	6,378	310
Number of employees working in Thailand and other countries or regions	person	696	0
Number of general employees	person	6,918	302
Number of middle-level employees	person	144	7
Number of senior-level employees	person	12	1
Number of ethnic minority employees	person	57	6
Proportion of ethnic minority employees	%	0.81	1.94
Number of employees with disabilities	person	0	0
Proportion of employees with disabilities	%	0.00	0.00
<b>Employee turnover rate</b>			
Employee turnover rate	%	23.24	32.75
Male employee turnover rate	%	23.24	31.65
Female employee turnover rate	%	23.26	37.65
Turnover rate of employees under 30 years old	%	29.21	46.55
Turnover rate of employees aged 30-50	%	20.93	29.55
Turnover rate of employees over 50 years old	%	31.40	16.22
Employee turnover rate in Chinese Mainland	%	21.07	32.75
Turnover rate of employees working in Thailand and other countries or regions	%	38.68	0.00

1 The statistics are based on subsidiaries including Jiangsu Xingda, Shandong Xingda and Xingda Thailand.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Employee Rights and Welfare Protection

Protecting the basic rights and interests of employees serves as the premise and foundation of talent management. The Group complies with relevant laws and regulations and international conventions, and guarantee the rights and benefits of all employees.

#### List of Applicable Laws and Regulations on Employee Rights and Welfare Protection

##### Regions

##### Applicable Laws and Regulations

China

*Provisions on Collective Contracts* (Order No. 22 of the Ministry of Labor and Social Security of the People's Republic of China), etc.

Thailand

Convention No. 98 – *Right to Organise and Collective Bargaining Convention*, etc.

The Group lays emphasis on listening to the demands and opinions of employees, establishes a system of labor unions and employee congress, and sets up employee labor unions in Jiangsu and Shandong bases to hold regular labor union meetings. The Group selects employee representatives in Thailand base through free election. In addition, the Group makes available diverse and smooth communication channels for employees in Jiangsu base, Shandong base, and Thailand base. A dedicated person is assigned to collect employees' suggestions or opinions on a monthly basis, and appropriate rewards are issued to employees who actively provide reasonable suggestions. By the end of 2022, the employee representatives of the Group in China accounted for 3.23% of all employees.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Employee Rights and Welfare Protection – Continued

#### Overview of Xingda's Employee Rights and Benefits System (Taking Jiangsu Xingda as an Example)

##### Employee negotiation and compensation

**Collective contract:** A collective contract is signed with employees and a written agreement is reached on labor remuneration, working hours, rest and vacation, labor safety and health, vocational training, insurance and welfare, etc.;

**Remuneration:** The *Employee Remuneration Management System* is developed, and the distribution forms of determining salary based on position, grading based on ability, and awarding based on performance are adopted.

**Overtime compensation:** If employees are arranged to work overtime, employees will be paid for overtime in strict accordance with the supplementary standards for overtime stipulated in the *Law of the People's Republic of China on Labor*.

##### Working hours off

**Working hours:** The comprehensive working hour system is implemented;

**Overtime:** An overtime approval system has been developed. In case of a need for production and operation, overtime can only be arranged after consultation with employees and approval. Meanwhile, measures should be taken as far as possible to control the length of employees' work and overtime hours to ensure their work and life balance.

**Vacation:** Systems such as *Implementation Measures for Employee Career Planning and Management and Leave Management System for Employees* have been developed to ensure that employees enjoy legal holidays in accordance with the law. The company also provides employees with maternity leave, marriage leave, funeral leave, etc.

##### Employee communication

**Communication channels:** E-mail, telephone, mailbox and WeChat official account;

**Communication methods:** Various forms of seminars and exchange meetings will be held from time to time to conduct face-to-face communication between leaders and general employees.

##### Employee welfare

**Social insurance:** Five insurances (medical insurance, maternity insurance, social endowment insurance, unemployment insurance, and occupational injury insurance) are covered for all employees;

**Employee welfare:** The company provides commercial insurance and dormitories for employees, and organises a Kindergarten for employees' children;

**Employee activities:** The company provides leisure facilities for employees and organizes various cultural and sports activities to promote work and life balance for employees.

The Group attaches importance to the well-being and satisfaction of employees in the company. In 2022, the Group carried out an employee satisfaction survey every quarter, and took samples for analysis in order to resolve issues reported by employees and continuously improve employee satisfaction. The average score of each employee satisfaction survey is above 88 points.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Occupational Health and Safety

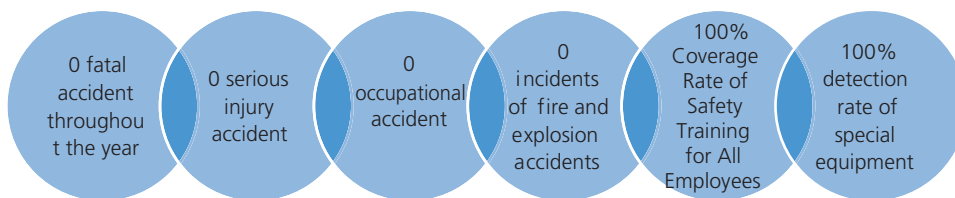
#### Safe Production

During production and operation, the Group underlines various safety production tasks, strictly abides by relevant laws and regulations on safety production, formulates the *Production Safety Responsibility System, Five Simultaneities Safety Production Management Regulations, Fire Prevention Management Regulations, Safety Protection Equipment and Facilities Management Regulations, Xingda Thailand Occupational Health, Safety and Environment Regulations*, and establishes an organizational structure for safety production management in each manufacturing base, to ensure the effective supervision and implementation of various safety production systems of the Group.

#### List of Applicable Laws and Regulations on Safety Production

Regions	Applicable Laws and Regulations
China	<i>Law of the People’s Republic of China on Production Safety, Law of the People’s Republic of China on Fire Protection, Law of the People’s Republic of China on Special Equipment Safety, etc.</i>
Thailand	<i>Occupational Safety, Health and Environment Act B.E. 2554 (2011), Factory Act, Industrial Estates Authority Act, etc.</i>

#### Xingda’s Safety Production Goals



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

Occupational Health and Safety – Continued

Safe Production – Continued

### Safety Production Management Organization Structure and Responsibilities of Xingda

Name of Safety Production Management Organization Structure	Main Responsibilities
Safety Production Leading Group (all manufacturing bases in China)	<ul style="list-style-type: none"><li>Organize and carry out activities related to safety production management</li><li>Analyze safety production issues and formulate rectification plans;</li><li>Report and exchange legal provisions and improvement suggestions related to safety production, occupational health and safety.</li></ul>
Emergency Management Department of Jiangsu base Safety and Environmental Protection Office of Shandong base	<ul style="list-style-type: none"><li>Handle safety matters of the factory;</li><li>Inspect the production equipment of the factory;</li><li>Organize and carry out safety hazard investigation.</li></ul>
Safety Committee of Thailand base	<ul style="list-style-type: none"><li>Establish a complete occupational health and safety system for the factory;</li><li>Supervise daily safety inspections.</li></ul>

In 2022, to further strengthen safety production management, the Group improved its safety production management capabilities from multiple dimensions, including risk identification, safety facility configuration, equipment safety management, and safety awareness enhancement, so as to minimize the incidence of safety production accidents. During the reporting period, the Group has not experienced any major safety production accidents.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Occupational Health and Safety – Continued

#### Safe Production – Continued

#### Main Production Management Measures of Xingda in 2022

Dimensions	Main Measures
Risk identification and troubleshooting	<p>Jiangsu Xingda, Shandong Xingda, Taizhou Xingda, and Xingda Thailand have identified their safety production hazards respectively, and developed corresponding risk control plans based on different risk types.</p> <p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have carried out various forms of hidden danger troubleshooting activities such as safety production inspection, monthly safety inspection, daily safety inspection, night safety inspection, and pre-holiday safety inspection to get rid of hidden dangers and eliminate accidents.</p>
Configuration of safety facilities	<p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have drawn detailed emergency escape route layouts for office spaces and posted them in prominent areas.</p> <p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have been equipped with sufficient fire-fighting equipment in their production and office areas, such as fire hydrants, fire extinguishers, and fire alarm bells. Regular spot checks have been conducted to ensure that the facilities are within the validity period and are under normal service condition.</p> <p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have posted safety warning signs and emergency evacuation maps at the work site.</p> <p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have provided a complete set of standard operating procedures at the construction site to make employees aware of the risk factors in their positions.</p> <p>Jiangsu Xingda, Shandong Xingda, Taizhou Xingda, and Xingda Thailand have posted understandable work instructions on production equipment to ensure that employees understand the operation of production equipment in emergency situations.</p>
Equipment safety management	<p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have regularly carried out spot checks and patrols on production equipment, to promptly identify potential safety hazards, and promptly conduct maintenance and repair.</p> <p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have registered the new special equipment during the reporting period, and commissioned professional institutions to conduct annual testing of the special equipment in each manufacturing base to ensure its safety and effectiveness.</p>
Improvement of safety awareness and skills	<p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda regularly organize employees to carry out emergency drills for emergencies, including urgent evacuation and drills for putting out a fire at the initial stage, to improve the emergency response capabilities of each department.</p> <p>Jiangsu Xingda have invited the superior competent authorities to carry out training on Special Operation Personnel for personnel in special positions, so that personnel in special positions have corresponding job qualifications and certificates to ensure safe production.</p> <p>Pre-job training have been carried out for new employees, including safety production education, production process flow of each process, 5S on-site management training. They can be employed only after passing the training evaluation.</p> <p>Jiangsu Xingda, Shandong Xingda, and Taizhou Xingda have provided safety training to subcontractors, and informed suppliers of safety requirements by issuing the Safety Notification, to continuously improve their safety knowledge and awareness.</p> <p>Jiangsu Xingda have organized employees to participate in the emergency rescue training organized by the Red Cross in the area where the manufacturing base is located. After passing the training, they will obtain a certificate of competency for the training of primary rescue workers. This has improved their emergency rescue ability in emergencies.</p>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Occupational Health and Safety – Continued

#### Safe Production – Continued

#### Employee Occupational Health and Safety Performance Sheet

Indicators	Unit	2020	2021	2022
Number of employees who died for work-related injuries	person	0	0	0
Proportion of employees who died for work-related injuries	%	0	0	0
Number of working days lost due to work-related injuries	day	260	132	64
Working hour loss accident rate of direct labor force <sup>1</sup>	%	–	–	0.0511
Working hour loss serious accident of direct labor force <sup>2</sup>	%	–	–	0.0033
Detection rate of special equipment	%	100	100	100
Certificate holding rate of special operation personnel	%	100	100	100
Coverage rate of safety training and education	%	100	100	100

1 Working hour loss accident rate of direct labor force = total number of working hour loss accidents × (1,000,000/total working hours)

2 Working hour loss serious accident of direct labor force = number of days of working hour loss due to injury × (1,000/total working hours)

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

Occupational Health and Safety – Continued

Safe Production – Continued

### Occupational Health and Safety Performance Sheet for Employees of Major Subsidiaries in 2022

Indicators	Unit	Jiangsu Xingda <sup>1</sup>	Taizhou Xingda
Number of employees who died for work-related injuries	person	0	0
Proportion of employees who died for work-related injuries	%	0	0
Number of working day loss due to work-related injuries	day	64	0
Working hour loss accident rate of direct labor force	%	0.51	0
Working hour loss serious accident of direct labor force	%	0.003	0
Percentage of workplaces that carried out assessment for employee health and safety risk	%	100	100
Percentage of employees in all workplaces of the company represented by official managements- Employee Health and Safety Committee (EHS Committee)	%	100	100

1 The statistics are based on Jiangsu Xingda, Shandong Xingda and Xingda Thailand.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Occupational Health

The main occupational disease risk jobs in each manufacturing base of the Group include jobs exposed to dust, chemicals, and physical factors, jobs engaged in electric work, pressure vessels, work at heights, and motor vehicle driving. The main occupational disease hazard factors are dust, noise pollution, and acid mist.

The Group underpins the occupational health and safety of employees, strictly abides by health and safety related laws and regulations, formulates management systems such as the *Occupational Disease Prevention and Control Management Regulations*, the *Labor Protection Equipment Management Regulations*, the *Safety Protection Equipment and Facilities Management Regulations*, and the *Xingda Thailand Occupational Health, Safety and Environment Regulations*, and establishes an occupational health and safety management system. By the end of 2022, the Group has passed the certification of ISO 45001:2018 occupational health and safety management system (valid until June 21, 2024) in bases in China and Thailand.

#### List of Applicable Laws and Regulations on Occupational Health and Safety

Regions	Applicable Laws and Regulations
China	<i>Law of the People's Republic of China on Labor, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, etc.</i>
Thailand	<i>Occupational Safety, Health and Environment Act B.E. 2554 (2011), etc.</i>

To ensure that the Group provides employees with a healthy and safe working environment and ensures their occupational health and safety, in 2022, the Group entrusted a professional third-party organization to conduct occupational disease hazard factor testing on production sites in various manufacturing bases, and took corresponding protective measures against various occupational disease hazard factors based on the testing results, which include distributing personal protective equipment, labor protection equipment, and equipping employees with first aid kits to protect their occupational health and safety during work.

The Group also implements the pre-job, on-job, and off-job physical examination systems for employees in positions with occupational hazards, and provides occupational health examinations for employees in positions exposed to occupational hazards in accordance with the law. In 2022, the Group has organized occupational health examinations for all employees in positions exposed to occupational hazards, with no occupational diseases or contraindications found.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Occupational Health – Continued

#### Management Measures for Occupational Disease Hazards in Xingda

Manufacturing Bases	Occupational Hazard Factors	Management Measures
Jiangsu base, and Shandong base	Dust	<ul style="list-style-type: none"> <li>Equip ventilation and exhaust facilities in the production process where dust is generated;</li> <li>Paste the occupational hazard notification card;</li> <li>Distribute dust masks, goggles, etc. to employees at corresponding positions;</li> </ul>
		<ul style="list-style-type: none"> <li>Provide occupational health examination for employees exposed to occupational hazards.</li> <li>Detect occupational hazardous factors at working sites every year, and tell those detected occupational hazardous factors to employees.</li> </ul>
		<ul style="list-style-type: none"> <li>Paste the occupational hazard notification card;</li> <li>Distribute earplugs, earmuffs, etc. to employees at corresponding positions;</li> </ul>
	Noise	<ul style="list-style-type: none"> <li>Provide occupational health examination for employees exposed to occupational hazards.</li> <li>Detect occupational hazardous factors at working sites every year, and tell those detected occupational hazardous factors to employees.</li> </ul>
		<ul style="list-style-type: none"> <li>Equip ventilation and exhaust facilities in the production links that generate such occupational hazard factors;</li> <li>Paste the occupational hazard notification card;</li> <li>Distribute protective masks, protective clothing, protective gloves, goggles, etc. to employees at corresponding positions;</li> </ul>
		<ul style="list-style-type: none"> <li>Provide occupational health examination for employees exposed to occupational hazards.</li> <li>Detect occupational hazardous factors at working sites every year, and tell those detected occupational hazardous factors to employees.</li> </ul>
Thailand base	Acid mist	<ul style="list-style-type: none"> <li>Equip ventilation and exhaust facilities in the production process where dust is generated;</li> <li>Paste the occupational hazard notification card;</li> <li>Distribute dust masks, goggles, etc. to employees at corresponding positions;</li> </ul>
		<ul style="list-style-type: none"> <li>Provide occupational health examination for employees exposed to occupational hazards.</li> <li>Paste the occupational hazard notification card;</li> <li>Distribute earplugs, earmuffs, etc. to employees at corresponding positions;</li> </ul>
		<ul style="list-style-type: none"> <li>Detect occupational hazardous factors at working sites every year, and tell those detected occupational hazardous factors to employees.</li> </ul>
	Dust	<ul style="list-style-type: none"> <li>Equip ventilation and exhaust facilities in the production process where dust is generated;</li> <li>Paste the occupational hazard notification card;</li> <li>Distribute dust masks, goggles, etc. to employees at corresponding positions;</li> </ul>
		<ul style="list-style-type: none"> <li>Provide occupational health examination for employees exposed to occupational hazards.</li> <li>Paste the occupational hazard notification card;</li> <li>Distribute earplugs, earmuffs, etc. to employees at corresponding positions;</li> </ul>
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# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

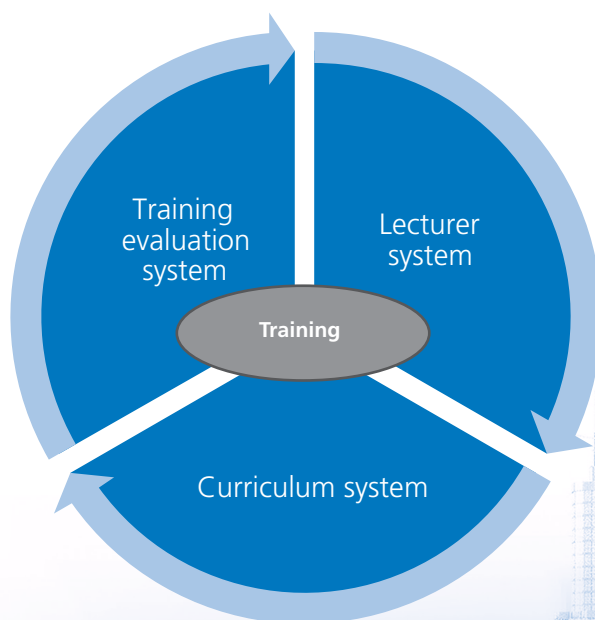
### Development and Training

#### Employee Training

The Group embraces the concept of “serving the development and employee growth”, develops management systems such as the *Xingda’s Staff Training Management Regulations* and *Human Resources Training Management Manual*, and establishes a three-dimensional system architecture for training system management system, training resource management system, and training operation management system based on employee quality evaluation and professional behavior evaluation.

#### Xingda Training Management System

Training system management	Sustainable and Eco-friendly Supply Chains	Sound Business Operating Models
<ul style="list-style-type: none"> <li>• Training demand investigation rules</li> <li>• Training plan implementation rules</li> <li>• Training budget rules</li> <li>• Training evaluation rules</li> </ul>	<ul style="list-style-type: none"> <li>• Training management rules</li> <li>• Lecturer management rules</li> <li>• Labor dispatch management rules</li> </ul>	<ul style="list-style-type: none"> <li>• Training organization and implementation</li> <li>• Training and conference services</li> <li>• Training effect feedback</li> </ul>



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Development and Training – Continued

#### Employee Training – Continued

In addition, to monitor and evaluate the effectiveness of the Group's training on employees, the Group has developed an employee training effectiveness evaluation system. The evaluation system follows a four-level training effectiveness evaluation method, and a differentiated evaluation method based on the differences between courses and teaching objects. The evaluation results are incorporated into the organization's performance management system to be directly linked to employees' career development. Through training evaluation, the Group timely discovers problems and adjusts its annual training plan to continuously improve the quality of enterprise training.

#### Training Effectiveness Evaluation System of Jiangsu Xingda

Evaluation Levels	Primary Coverage	Evaluation Method
Evaluation at reaction level	Observing participants' reactions	Evaluation questionnaire, evaluation interview
Evaluation at learning level	Checking participants' learning outcomes	Evaluation questionnaire, written examination, performance appraisal, case study
Evaluation at behavioral level	Measuring performance before and after training	Observation method, testing method, 360 degree performance evaluation
Evaluation at outcome level	Measuring changes in the company's operating performance	Comprehensive analysis of quality, accidents, productivity, work motivation, market expansion, and customer relationship maintenance

In 2022, relying on Xingda Academy, Jiangsu Xingda developed an annual training plan that covered all employees, 21 departments and branches, involving 844 training projects, and carried out monthly and annual training summaries.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Development and Training – Continued

#### Employee Training – Continued

#### Employee Training Project of Jiangsu Xingda in 2022

#### Evaluation Levels

#### Main Contents and Objectives

#### Employee educational promotion training

Jiangsu Xingda College has established long-term cooperations with Nanjing University, Southeast University, University of Electronic Science and Technology of China, Taizhou Polytech College, and Xinghua Secondary Vocational College to enroll students at the junior college and undergraduate levels and further upgrade the academic qualification of employees. In forms of theoretical lectures, online teaching and expert Q&A, employees can expand their scope of knowledge and obtain academic qualifications at higher levels. By the end of 2022, Jiangsu Xingda College have trained 1,915 persons in total, including 647 persons in school and 1,268 graduates.

#### Professional skill upgrading training

It includes training in safety, quality, vocational skills, production, and corporate culture, so that business skilled personnel can strengthen the role recognition of the job, familiarize themselves with job responsibilities, master job skills, be qualified for job requirements, and provide human support for the development of the company.

#### Training for new employees

New general employees: Pre-job training, product technology and process training, etc. are provided for new employees to enable them to understand and identify with the corporate culture, clarify job responsibilities, and be qualified for the job requirements as soon as possible.

College students as new employees: The content includes company introduction, *Employee Handbook*, *Factory Rules and Regulations*, *Company Safety Education*, *Safety Production Accidents Over the Years*, *Safety Matters for Each Process Operation*, learning in the testing center, process rotation, branch allocation, etc., to help new college students adapt to their jobs as soon as possible.

New apprenticeship system: In 2022, we have comprehensively implemented the construction of a new type of apprenticeship system for enterprises, organized and carried out skill training for new recruits and transferred personnel in skilled positions, promoted interactive teaching in the workshop and classroom, facilitated new training modes such as centralized learning, decentralized learning, palm learning, and online learning, thereby improving the professional skills of employees.

#### Management training

- Establish cooperation with local government authorities to apply for training courses for the Group's management personnel to help them master new knowledge, concepts, and methods.
- Invite well-known domestic management consulting companies to customize a systematic training plan for middle and senior managers to enhance their comprehensive ability.
- Establish friendly cooperative relations with well-known local enterprises, to exchange and learn from each other on an irregular basis, discuss management experience with each other, and pursue win-win results for both parties.
- Develop a mobile app client, to introduce courses related to strategic decision-making and leadership, and provide a learning and communication platform for managers.
- Hold learning exchange meetings for management personnel to share knowledge and concepts, and learn how to achieve win-win results.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Development and Training – Continued

#### Employee Training – Continued

Jiangsu Xingda actively carries out the identification of skilled personnel, and the work type of steel wire rope manufacturing was included in 2022. Jiangsu Xingda has formulated a five-year training plan for skilled talents based on the actual needs of employees and job skill requirements, and invited full-time external trainers to give lectures at Xingda. Theoretical teaching, practical training exercises, and case studies are adopted to strengthen the training of professional skills of employee from extensive aspects and improve their comprehensive quality. In 2022, Jiangsu Xingda trained a total of 686 operators, and 528 of them passed the skill level certification. Those who have passed the certification received a Level III training certificate for steel wire rope manufacturers issued by the Human Resources and Social Security Department.

#### Employee Training and Development Performance Sheet

Indicators	Unit	2020	2021	2022
<b>Employee training coverage</b>				
Employee training coverage	%	99.59	99.80	99.27
Proportion of male employees covered by training	%	99.45	99.82	99.24
Proportion of female employees covered by training	%	99.91	99.75	99.33
Proportion of general employees covered by training	%	99.03	99.56	99.68
Proportion of middle-level employees covered by training	%	100.00	100.00	94.04
Proportion of senior-level employees covered by training <sup>1</sup>	%	37.50	20.00	23.08
<b>Training hours per employee</b>				
Average number of hours of employee training	hour	27	34	21
Average number of hours of female employee training	hour	27	34	20
Average number of hours of male employee training	hour	27	34	22
Average number of hours of senior-level employee training	hour	32	17	11
Average number of hours of middle-level employee training <sup>2</sup>	hour	94	162	99
Average number of hours of general employee training	hour	26	32	19

1 Training for senior management staff mainly focuses on external training, such as attending annual corporate summits, executive training programs, and high-level exchanges with different industries for further learning. However, due to the impact of the epidemic in 2022, most of the external training of the Group was suspended, resulting in a relatively lower proportion.

2 The group continues to enhance the ability of middle-level management team by increasing the internal training for middle-level managers through Xingda College, strengthening the construction of management personnel team. Therefore, the average training hours for middle-level management are relatively higher than those for grassroots employees and senior management.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

Development and Training – Continued

Employee Training – Continued

### Employee Training Performance Sheet of Major Subsidiaries in 2022

Indicators	Unit	Jiangsu Xingda <sup>1</sup>	Taizhou Xingda
<b>Employee training coverage</b>			
Employee training coverage	%	99.24	100.00
Proportion of male employees covered by training	%	99.20	100.00
Proportion of female employees covered by training	%	99.32	100.00
Proportion of general employees covered by training	%	99.67	100.00
Proportion of middle-level employees covered by training	%	98.61	0.00
Proportion of senior-level employees covered by training	%	25.00	0.00
<b>Training hours per employee</b>			
Average number of hours of employee training	hour	21	15
Average number of hours of female employee training	hour	21	12
Average number of hours of male employee training	hour	21	30
Average number of hours of senior-level employee training	hour	12	0
Average number of hours of middle-level employee training	hour	103	0
Average number of hours of general employee training	hour	19	16

1 The statistics are based on Jiangsu Xingda, Shandong Xingda and Xingda Thailand.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Development and Training – Continued

#### Employee Promotion

The Group attaches great importance to the career development of each employee, develops management systems such as the *Performance Management Manual*, the *Xingda's Performance Appraisal Management System*, and the *Employee Transfer Training Management System*, and runs a dual ladder system for career development, and a horizontal rotation and vertical promotion system for each sequence. The development channels can be transformed horizontally and vertically according to the personality and professional expertise of employees, providing as many career development opportunities as possible for different types of talents. The Group and its subsidiaries establish performance appraisal indicators and scoring standards for employees at different levels and positions, perform comprehensive evaluation and provide feedback on the performance of all employees every month. In addition, the Group commended 259 outstanding managers and employees in 2022.

The Group and its subsidiaries have implemented a multi-channel career management scheme based on competency and quality, professional technology, and management. They carry out different structural evaluations of employees by sequence and position, and include them in performance evaluations to promote their career development and create more career development paths for employees.

#### Talent Development System based on Competence and Quality of Jiangsu Xingda

<b>Evaluation tools</b>	Common class test	Considering the need for self-understanding and development, the company will periodically use personality tests such as IQ/EQ/9 Enneagram Types and EPQ
	Common evaluation tools for functional personnel	The company will consider using behavioral style measurement tools such as MBTI and DISC
	Common evaluation tools for sales personnel	The company will consider personality matching and conduct competency testing appropriate for the position
	Common evaluation tools for internal promotion	It is typically combined with performance evaluation
<b>Performance feedback and improvement</b>		Through performance feedback and improvement, identify weaknesses in employee career development, the company will provide timely performance coaching to employees, and lend them a hand to develop their careers.
<b>Responsibilities of department heads</b>		Managers at all levels are required to assume the primary responsibility for employee career development, and design a certain weight in the department head's performance appraisal center in order to emphasize the importance of this task.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

Development and Training – *Continued*

Employee Promotion – *Continued*

### Performance Sheets of Employees Receiving Regular Performance and Career Development Evaluation

Indicators	Unit	2022
Number of employees receiving regular performance and career development evaluations	person	7,384
Percentage of employees receiving regular performance and career development evaluations	%	100

### Performance Sheets of Employees in Major Subsidiaries Receiving Regular Performance and Career Development Evaluation in 2022

Indicators	Unit	Jiangsu Xingda <sup>1</sup>	Taizhou Xingda
Number of employees receiving regular performance and career development evaluations	person	7,074	310
Percentage of employees receiving regular performance and career development evaluations	%	100	100

1 The statistics are based on Jiangsu Xingda, Shandong Xingda and Xingda Thailand.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Supply Chain Management

#### *Sustainable Supply Chain*

The main types involved by suppliers of the Group include raw and auxiliary materials, equipment, and spare parts. To reduce supply chain risks and create a sustainable supply chain, the Group has developed systems such as the *Sustainable Procurement Policy*, the *Supplier Management Regulations*, and the *Code of Conduct for Suppliers*, as well as sustainable procurement objectives. It has defined specific management processes for different types of suppliers, and incorporated business ethics, environmental protection, labor, and human rights requirements into the management of suppliers, thereby further strengthening the management of suppliers.

#### **Sustainable procurement objectives**

- To reduce the risks of supply chain brought by ESG-related factors (reputation risk, supply chain risk, etc.)
- To reduce the company's environmental and social impact through sustainable procurement practices
- To provide sustainable procurement related training for procurement department personnel, covering 100% of procurement department personnel
- To conduct environmental and social assessment on all key suppliers<sup>1</sup> of the company

<sup>1</sup> Key suppliers refer to those who provide products that are important components of the Company's key business, and directly affect the company's business operations.

The Group selects, evaluates, and manages suppliers that provide long-term raw and auxiliary materials, equipment, and spare parts to ensure that they provide products and services that meet the needs. Supplier management mainly focuses on supplier entry management and the management of existing suppliers. Each subsidiary of the Group conducts supplier management in accordance with the requirements of the Group.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

Supply Chain Management – *Continued*

*Sustainable Supply Chain – Continued*

### Supplier Management Measures

#### Management Links Manage Content

Supplier entry

##### Supplier audit and evaluation

- Review supplier questionnaires, RFQs and product drawings/technical requirements and other documents provided by suppliers
- Complete multiple evaluations from the technical center, quality center, procurement and supply department, etc.

Existing supplier management

##### Supplier evaluation

- Perform process verification on samples provided by suppliers, and develop a sample trial approval report
- Strengthen the management of raw and auxiliary material suppliers: require raw material suppliers to provide PPAP (Production Part Approval Process) information management list. Strengthen the management of indirect suppliers: ensure that agents are matched with manufacturers to ensure traceability
- Conduct on-site review of suppliers, divide them into four levels: A, B, C, and D based on the results, and implement hierarchical management

##### Daily management of suppliers

- Regularly verify the quality management system certification of suppliers
- Regularly ask suppliers to sign guarantee agreements, etc.

##### Supplier supervision and improvement

- Contact with suppliers in a timely manner to rectify existing problems
- When supplier audits are not passed, propose correction requests to the suppliers, and follow up on their delivery and improvement

Withdrawal of suppliers

- The D-level suppliers who refuse to rectify or fail to reach the standards after rectification will be cancelled with the supply qualification and included in the management of potential suppliers.
- Suppliers who are included in the management of potential suppliers are subject to the re-certification in order to regain the supply qualification.

#### New Management Content Added in 2022

##### Compliance and system requirements

- On the basis of confirming that the products, processes, and services provided by the supplier comply with national laws and regulations, and integrating environmental management, employee management, and other requirements into the requirements, *Xingda Supplier Environmental, Social, and Corporate Governance (ESG) Risk Analysis* Form is newly added to ensure that the supplier has not experienced significant negative events in ESG

##### Supplier ESG evaluation

- Promote the development of a supplier ESG management and evaluation system, and in the future, enhance the ESG evaluation of key inbound suppliers to reduce supply chain ESG risks
- The evaluation covers three major areas: environment, society, and governance, including resource management, hazardous materials and emissions management, climate change mitigation and adaptation, equal employment, occupational health and safety, and business ethics



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Supply Chain Management – *Continued*

#### *Sustainable Supply Chain – Continued*

The Group identifies and investigates potential risks through regular supplier audits. The Purchasing Department is responsible for setting up a supplier evaluation team. Quantitative assessment and evaluation are conducted for suppliers based on pre-defined criteria or bases. The Group performs an annual assessment of major raw and auxiliary material suppliers at least once a year. In 2022, Jiangsu Xingda conducted an audit of key suppliers, had spot checks on their certificates, qualifications, equipment conditions, processes, raw materials, product quality, and other aspects, and evaluated the environmental performance, compliance employment, production safety, business ethics, and other ESG performance of key suppliers, all of which resulted in good performance.

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

The Group requires major raw and auxiliary material suppliers to sign the *Anti-Bribery Pledge for Suppliers* to prevent commercial bribery actions and safeguard the legitimate rights and interests of both parties. Jiangsu Xingda assesses and scores important raw and auxiliary material suppliers from seven dimensions such as business ethics, prohibition of child labor, working hours and salaries, and environmental management in accordance with the *Supplier ESG Evaluation Indicator System* and the *Environmental Management Questionnaire* during the annual supplier review. In 2022, the percentage of major raw and auxiliary material suppliers who have signed the *Code of Conduct for Suppliers*, the *Anti-Bribery Pledge for Suppliers* and *Environmental Protection and Safety Agreement* reached 90%.

The Group focuses on improving internal supply chain management capabilities and establishes a sound procurement system training and assessment mechanism. In 2022, the Group provided sustainable procurement training for procurement personnel and warehouse personnel, and incorporated sustainable procurement into the performance evaluation of procurement personnel, and the coverage of sustainable procurement training reached 100%.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

Supply Chain Management – *Continued*

*Sustainable Supply Chain – Continued*

### Responsible Supply Chain Management Dimensions

Dimensions of Concern	Examples of Specific Requirements of the Code of Conduct for Suppliers
<b>Business ethics</b>	
<ul style="list-style-type: none"><li>• Anti-corruption</li><li>• Integrity in business</li><li>• Conflict minerals statement</li></ul>	<ul style="list-style-type: none"><li>• Shall not commit or tolerate any form of corruption, extortion or embezzlement.</li><li>• Conduct business in a manner that ensures fair competition and compliance with all applicable anti-trust laws.</li><li>• Ensure that the metals supplied to us are not originated from minerals or their derivatives from conflict areas directly or indirectly financed or subsidized by armed groups.</li></ul>
<b>Environment</b>	
<ul style="list-style-type: none"><li>• Environmental management system</li><li>• Environmental compliance</li><li>• Waste discharge and resource consumption</li></ul>	<ul style="list-style-type: none"><li>• Comply with all applicable environmental regulations, and identify and manage their own environmental risks.</li><li>• Control or reduce environmentally hazardous emissions, and improve resource utilization.</li><li>• Use natural resources sparingly, develop climate-friendly products and processes, and reduce greenhouse gas emissions.</li></ul>
<b>Labor</b>	
<ul style="list-style-type: none"><li>• Labor and human rights</li><li>• Anti-discrimination and diversity</li><li>• Wages and benefits</li></ul>	<ul style="list-style-type: none"><li>• Prohibit child labor and prevent forced labor</li><li>• Comply with the principles of equality, diversity, and anti-discrimination</li><li>• Fair treatment; employee remuneration meets legal requirements</li></ul>
<b>Health and safety</b>	
<ul style="list-style-type: none"><li>• Employee safety protection</li><li>• Product hazard Information</li><li>• Emergency preparedness and response</li></ul>	<ul style="list-style-type: none"><li>• Protect employees from workplace injuries</li><li>• Inform employees about hazardous substances in products</li><li>• Make emergency preparedness for potential risks in the workplace</li></ul>

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Responsible Mineral Management

The Group may involve the use of a small amount of metallic tin (Sn) in the production process of some products. The Group follows the Responsible Business Alliance (RBA) Code of Conduct, develops the *Declaration on Non-use of Conflict Minerals of Xingda International*, and conducts responsible mineral management.

### Pledge for Non-use of Conflict Minerals

- The stannum metal used in the product is not originated from areas of war or illegal armed conflict
- We are committed to ensuring that conflict minerals do not exist in our supply chain

The Group requires metals that suppliers provide in their products should not originate from minerals or their derivatives in conflict areas directly or indirectly funded or subsidized by armed groups; and requires suppliers to provide a commitment not to use conflict minerals to trace the sources of aurum (Au), tantalum (Ta), stannum (Sn), cobalt (Co), and wolfram (W) contained in their products, ensuring that they do not originate from conflict or conflict affected and high-risk areas.

The Group incorporates conflict minerals clauses, social and environmental requirements into its Purchase and Sales Contracts with suppliers, explicitly requiring that all products delivered by the suppliers of the Group and its subsidiaries use or contain no “conflict minerals” from the Democratic Republic of the Congo or neighboring countries. In 2022, no suppliers of the Group have violated the *Declaration on Non-use of Conflict Minerals of Xingda International*.

### Supply Chain Management Performance Sheet

Indicators	Unit	2020	2021	2022
Total number of suppliers	–	270	270	264
Number of domestic suppliers	–	267	267	260
Number of suppliers from Hong Kong, Macao, Taiwan and overseas	–	3	3	4
Number of suppliers who have performed performance assessments in environmental, labor, and ethical aspects according to the company’s supplier assessment system	–	–	31	31
Number of suppliers identified as having real and potentially significant negative social or environmental impacts	–	0	0	0
Percentage of suppliers signing the <i>Code of Conduct for Suppliers</i>	%	–	–	90

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Social Responsibility – CONTINUED

### Support Community Development

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

With a keen eye on the main body of corporate social responsibility of “green, harmonious, honest, and responsible”, the Group strives to become a pacesetter to assume social responsibility, and achieves harmonious development between corporate development and fulfilling social responsibility.

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

In terms of community care, Jiangsu Xingda paid a visit to the sanitation workers of Dainan Town Environment Sanitation Office in 2022 with some supplies as a care.

In 2022, the Group actively participated in the COVID-19 prevention actions in the surrounding communities. Jiangsu Xingda paid visits to the staff involved in the COVID-19 prevention and control in Dainan Town and provided living goods to several anti-pandemic frontlines.

### Charity and Volunteer Service

Regarding staff volunteer activities, Jiangsu Xingda organized more than 100 party members to participate in blood donation on in 2022, amounting to a donation of nearly 40,000 milliliters of blood free of charge

#### Performance Sheet of Public Welfare Charity and Volunteer Service

Indicators	Unit	2020	2021	2022
Amount of charitable donation	RMB 10,000	0.00	0.00	30.24
Amount of investment for community benefit	RMB 10,000	87.93	14.33	14.30
Amount of investment for community benefit (environmental protection)	RMB 10,000	7.00	11.00	11.30
Amount of investment for community benefit (health care)	RMB 10,000	51.66	3.00	3.00
Amount of investment for community benefit (others)	RMB 10,000	29.27	0.33	0
Total employee volunteer service hours	hour	220	360	1,032
Employee volunteer service persons	person	100	206	300



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Index

HKEX ESG Reporting Guide Index

### Part B: Comply Provisions

Comply item	Report sections
Governance Structure	ESG Management Mechanism
The principle of the report	Description of the Report
The scope of the report	Description of the Report

### Part C: “Comply or explain” Provisions

Aspects, General Disclosures and KPIs	Report sections
<b>A. Environment</b>	
<b>A1 Emissions</b>	Wastewater Management Waste Gas Management Waste Management Climate Change Mitigation and Adaptation
A1.1	Wastewater Management Waste Gas Management
A1.2	Climate Change Mitigation and Adaptation
A1.3	Waste Management
A1.4	Waste Management
A1.5	Wastewater Management Waste Gas Management Climate Change Mitigation and Adaptation
A1.6	Waste Management
<b>A2 Resource Consumption</b>	Energy Management Water Resources Management Raw Material and Packaging Management
A2.1	Energy Management
A2.2	Water Resources
A2.3	Energy Management
A2.4	Water Resources
A2.5	Raw Material and Packaging Management
<b>A3 Environ-ment and Nat-ural Resources</b>	Environmental Management System
A3.1	Environmental Management System
<b>A4 Climate Change</b>	Climate Change Mitigation and Adaptation
A4.1	Climate Change Mitigation and Adaptation

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Index – CONTINUED

HKEX ESG Reporting Guide Index – *Continued*

### Aspects, General Disclosures and KPIs

### Report sections

#### **B. Society**

#### **Employment and Labor Practices**

##### **B1 Employment**

B1.1

Employment and Labor Practices

B1.2

Employment and Labor Practices

##### **B2 Health and Safety**

B2.1

Employment and Labor Practices

B2.2

Occupational Health and Safety

B2.3

Occupational Health and Safety

##### **B3 Development and Training**

B3.1

Occupational Health and Safety

B3.2

Occupational Health and Safety

Development and Training

##### **B4 Labor Standards**

B4.1

Development and Training

B4.2

Development and Training

Employment and Labor Practices

#### **Operating Practices**

##### **B5 Supply Chain Management**

B5.1

Employment and Labor Practices

B5.2

Employment and Labor Practices

B5.3

Employment and Labor Practices

B5.4

Supply Chain Management

##### **B6 Product Responsibility**

B6.1

Supply Chain Management

B6.2

Supply Chain Management

B6.3

Supply Chain Management

B6.4

Supply Chain Management

B6.5

Product and Service Quality Management

##### **B7 Anti-Corruption**

B7.1

Product and Service Quality Management

B7.2

Product and Service Quality Management

B7.3

Intellectual Property Protection

Product and Service Quality Management

Data Security and Customer Privacy Protection

#### **Community**

##### **B8 Community Investment**

B8.1

Anti-Corruption and Bribery

B8.2

Anti-Corruption and Bribery

Anti-Corruption and Bribery

Anti-Corruption and Bribery

Charity and Volunteer Service

Support Community Development

Charity and Volunteer Service

Support Community Development

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## GRI Standards 2021 Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1	Description of the Report
	2-2	Description of the Report
	2-3	Description of the Report
	2-5	Independent Verification Statement
	2-7	Employment and Labor Practices
	2-14	ESG Management Mechanism
	2-23	Anti-corruption and Bribery
		Supply Chain Management
	2-25	Anti-corruption and Bribery
	2-27	Anti-corruption and Bribery
		Environmental Management System
		Energy Management
		Water Resources Management
		Waste Gas Management
		Waste Management
		Product and Service Quality Management
		R&D Innovation
Responsible Marketing		
Data Security and Customer Privacy Protection		
2-29	Employment and Labor Practices	
	Occupational Health and Safety	
	Stakeholder Communication	
2-30	Employment and Labor Practices	
GRI 3: Material Topics 2021	3-1	Analysis of Substantive Issues
	3-2	Analysis of Substantive Issues
	3-3	Analysis of Substantive Issues
GRI 201: Economic Performance 2016	201-2	Climate Change Mitigation and Adaptation
GRI 205: Anti-corruption 2016	205-2	Anti-corruption and Bribery
	205-3	Anti-corruption and Bribery
GRI 206: Anti-competitive Behavior 2016	206-1	Anti-corruption and Bribery
GRI 301: Materials 2016	301-1	Raw Material and Packaging Management
	301-2	Raw Material and Packaging Management
	301-3	Raw Material and Packaging Management
GRI 302: Energy 2016	302-1	Energy Management
	302-3	Energy Management
	302-4	Energy Management

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## GRI Standards 2021 Index – CONTINUED

GRI STANDARD	DISCLOSURE	LOCATION
GRI 303: Water and Effluents 2018	303-1	Water Resources Management
	303-2	Wastewater Management
	303-3	Water Resources Management
	303-4	Wastewater Management
	303-5	Water Resources Management
GRI 305: Emissions 2016	305-1	Climate Change Mitigation and Adaptation
	305-2	Climate Change Mitigation and Adaptation
	305-4	Climate Change Mitigation and Adaptation
	305-5	Climate Change Mitigation and Adaptation
GRI 306: Waste 2020	306-1	Waste Management
	306-2	Waste Management
	306-3	Waste Management
GRI 308: Supplier Environmental Assessment 2016	308-1	Supply Chain Management
	308-2	Supply Chain Management
GRI 401: Employment 2016	401-1	Employment and Labor Practices
	401-2	Employment and Labor Practices
GRI 403: Occupational Health and Safety 2018	403-1	Occupational Health and Safety
	403-2	Occupational Health and Safety
	403-3	Occupational Health and Safety
	403-4	Occupational Health and Safety
	403-5	Occupational Health and Safety
	403-6	Occupational Health and Safety
	403-7	Occupational Health and Safety
	403-8	Occupational Health and Safety
	403-9	Occupational Health and Safety
	403-10	Occupational Health and Safety
GRI 404: Training and Education 2016	404-1	Development and Training
	404-3	Development and Training
GRI 406: Non-discrimination 2016	406-1	Employment and Labor Practices
GRI 408: Child Labor 2016	408-1	Employment and Labor Practices
		Supply Chain Management
GRI 409: Forced or Compulsory Labor 2016	409-1	Employment and Labor Practices
		Supply Chain Management
GRI 414: Supplier Social Assessment 2016	414-1	Supply Chain Management
		Supply Chain Management
GRI 415: Public Policy 2016	415-1	Support Community Development
		Charity and Volunteer Service

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## GRI Standards 2021 Index – CONTINUED

GRI STANDARD	DISCLOSURE	LOCATION
GRI 416: Customer Health and Safety 2016	416-1	Product and Service Quality Management
	416-2	Product and Service Quality Management
GRI 417: Marketing and Labeling 2016	417-1	Responsible Marketing
	417-2	Responsible Marketing
	417-3	Responsible Marketing
GRI 418: Customer Privacy 2016	418-1	Product and Service Quality Management

## Independent Verification Statement

To the management and stakeholders of Xingda,

TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch (hereinafter referred to as “TÜV SÜD”) has been engaged by Xingda International Holdings Ltd (hereinafter referred to as “Xingda” or “the Company”) to perform an independent third-party verification on Xingda 2022 Environmental, Social and Corporate Governance Report (hereinafter referred to as “the Report”). During this verification, TÜV SÜD’s verification team strictly abided by the contract signed with Xingda and provided verification regarding the Report in accordance with the provisions agreed by both parties and within the authorized scope stipulated in the contract.

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

### Scope of Verification

Time frame of this verification:

- The Report contains the data disclosed by Xingda during the reporting period from January 1st, 2022 to December 31st, 2022, including economic, environmental and social information and data, methods for management of material issues, actions/measures and the Company’s sustainability performance during the reporting period.

Physical boundary of this verification:

- The on-the-spot verification took place at below listed location:  
No.88 Renminxi Avenue, Dainan Town, Xinghua City, Jiangsu Province, China

Scope of data and information for the verification:

- The scope of verification is limited to the data and information of Xingda and Plants/Production sites under its operational control covered by the Report.

# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Independent Verification Statement – CONTINUED

### Scope of Verification – Continued

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

- Any information and contents beyond the reporting period of this Report;
- The data and information of Xingda's suppliers, partners and other third parties; and
- The financial data and information disclosed in this Report that have been audited by an independent third party are not verified again herein.

### Limitations

- The verification process is conducted in the above scope and places. Sampling and verification are adopted for the data and information in the Report by TÜV SÜD, and only the stakeholders within the Company are interviewed; and
- The Company's standpoint, opinions, forward-looking statements and predictive information as well as the historical data and information before January 1st, 2022 are beyond the scope of this verification.

### Basis for the Verification

This verification process was conducted by TÜV SÜD's expert team with extensive experience in the economic, environmental, social and other relevant areas and drew the conclusions thereof. The verification referred to the following standards:

- *International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- *TÜV SÜD Procedure of Verification on Sustainability Report*

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

- Preliminary investigation of the relevant information before the verification;
- Confirmation of the presence of the topics with high level of materiality and performance in the Report;
- On-site review of all supporting documents, data and other information provided by Xingda; tracing and verification of key performance information;



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Independent Verification Statement – CONTINUED

### Basis for the Verification – *Continued*

- Special interview with the representative of Xingda’s management; interviews with the employees related to collection, compilation and reporting of the disclosed information; and
- Other procedures deemed necessary by the verification team.

### Verification Conclusions

According to the verification, we believe the Report prepared by Xingda is true and reliable, and can be used for the stakeholders. The verification team has drawn the following conclusions on this Report:

<b>Inclusivity</b>	Xingda has identified the internal and external stakeholders such as government and regulatory agencies, investors and shareholders, employees, suppliers, customers, NGOs, industry associations, and community, and established a stakeholder communication mechanism to collect the demands of stakeholders on a regular basis.
<b>Materiality</b>	Xingda has established the process of material topics determination, identified and assessed the priority of the sustainability topics which are highly related to the industry, the Company has disclosed the strategy, management approach as well as sustainability performance in corporate operation, therefore the Report’s adherence to materiality principle is guaranteed.
<b>Responsiveness</b>	Xingda has disclosed the management approach of key issues that stakeholders concern, such as green products, responding to climate change, sustainable procurement, compliance and business ethics, and has established a grievance mechanism, to fully respond to the demands and expectations of stakeholders.
<b>Impact</b>	Xingda has set up an ESG Committee to monitor important ESG issues, to identify and assess related risks and opportunities, and to promote the implementation of sustainable development and ESG policies and measures in various departments and working groups.

### Recommendations on Continuous Improvement

- It is recommended that the Company discloses more material topics in future to further improve the quality of information disclosure.



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

## Independent Verification Statement – CONTINUED

### Statement on Independence and Verification Capability

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

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

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

### Signature:

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



Zhu Wenjun

TÜV SÜD Sustainability Authorized Signatory Officer

March 31, 2023

Shanghai, China

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



# INDEPENDENT AUDITOR'S REPORT

## 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 143 to 241, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 ("HKSA") 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.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters – CONTINUED

### Key audit matter

#### ***Cut-off of revenue recognition from contracts with customers***

The Group sells radial tire cords and wires to customers and revenue is recognised at a point in time when the control of the goods is transferred to the customers in accordance with agreed delivery terms.

Jiangsu Xingda Steel Tyre Cord Co. Ltd. (“Jiangsu Xingda”), a subsidiary of the Company, recognised revenue from contracts with external customers amounted to RMB8,007,310,000 for the year ended 31 December 2022, representing 74% of total revenue of the Group.

The risk of revenue being recognised in an incorrect accounting period of Jiangsu Xingda presents as a key audit matter, due to the financial significance of revenue recognised in the consolidated financial statements and various types of goods delivery terms involved in sales contracts with its customers in different geographical locations.

### How our audit addressed the key audit matter

Our audit procedures in relation to cut-off of revenue recognition from contracts with customers included:

- Understanding the business process of revenue recognition from contracts with customers and testing the design, implementation and operating effectiveness of key controls relevant to the cut-off of revenue recognition;
- Reviewing sales terms as stated in the sales contracts, on a sample basis, to assess whether the Group’s revenue recognition policy is in compliance with IFRS 15 *Revenue from Contracts with Customers*; and
- Checking, on a sample basis, the recorded transactions by examining the underlying supporting evidences in accordance with the delivery terms of respective sales transactions, such as logistic information, bill of lading, or other documents, to assess whether the sales transactions are recorded in the correct accounting periods.



# INDEPENDENT AUDITOR'S REPORT

## Other Information

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## 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 HKSAAs 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 HKSAAs, 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.



# INDEPENDENT AUDITOR'S REPORT

## **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 Bao Jie.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

31 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Revenue	6	10,812,028	10,645,310
Cost of sales		<u>(8,538,496)</u>	<u>(8,580,412)</u>
Gross profit		2,273,532	2,064,898
Other income	7	213,819	189,785
Government grants	8	22,711	20,567
Recognition of impairment losses under expected credit loss model		(2,543)	(7,507)
Other gains and losses, net	9	152,336	(83,718)
Distribution and selling expenses		(1,061,026)	(999,339)
Administrative expenses		(452,228)	(463,447)
Research and development expenditure		(169,231)	(138,801)
Other expense	7	(33,796)	–
Finance costs	10	<u>(198,936)</u>	<u>(163,437)</u>
Profit before tax		744,638	419,001
Income tax expense	11	<u>(186,426)</u>	<u>(112,036)</u>
Profit for the year	12	<u>558,212</u>	<u>306,965</u>
<i>Other comprehensive income (expense)</i>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>19,159</u>	<u>(84,732)</u>
Total comprehensive income for the year		<u>577,371</u>	<u>222,233</u>
Profit for the year attributable to:			
Owners of the Company		348,391	218,855
Non-controlling interests		<u>209,821</u>	<u>88,110</u>
		<u>558,212</u>	<u>306,965</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		361,830	159,251
Non-controlling interests		<u>215,541</u>	<u>62,982</u>
		<u>577,371</u>	<u>222,233</u>
Earnings per share	15		
Basic (RMB cents)		<u>20.99</u>	<u>13.46</u>
Diluted (RMB cents)		<u>20.88</u>	<u>13.37</u>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	6,765,865	5,729,026
Right-of-use assets	17	635,001	627,204
Freehold land	18	67,542	64,105
Investment properties	19	121,000	121,740
Term deposits	25	1,499,673	803,228
Deferred tax assets	20	123,651	114,480
Prepayments for acquisition of property, plant and equipment and freehold land		135,289	–
Prepayments	21	17,963	20,963
		<u>9,365,984</u>	<u>7,480,746</u>
<b>CURRENT ASSETS</b>			
Inventories	22	1,181,169	1,355,395
Financial assets at fair value through profit or loss (“FVTPL”)	23	65,108	149,516
Trade, bills and other receivables	24	8,147,717	8,173,246
Tax recoverable		2,330	–
Term deposits	25	1,422,803	1,930,941
Bank balances and cash	25	824,867	712,365
		<u>11,643,994</u>	<u>12,321,463</u>
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	26	5,285,936	5,777,411
Contract liabilities	27	57,275	44,847
Tax liabilities		103,748	30,015
Dividend payable		187,950	263,377
Borrowings – due within one year	28	5,739,331	4,789,478
Lease liabilities	30	251	595
Obligations arising from repurchase of shares	31	249,677	248,962
		<u>11,624,168</u>	<u>11,154,685</u>
<b>NET CURRENT ASSETS</b>		<u>19,826</u>	<u>1,166,778</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>9,385,810</u>	<u>8,647,524</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	20	53,046	49,274
Borrowings – due after one year	28	1,152,500	760,000
Deferred income	29	255,702	226,713
Lease liabilities	30	779	899
		<u>1,462,027</u>	<u>1,036,886</u>
<b>NET ASSETS</b>			
		<u>7,923,783</u>	<u>7,610,638</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	32	163,218	163,218
Share premium and other reserves		5,701,296	5,536,632
Equity attributable to owners of the Company		5,864,514	5,699,850
Non-controlling interests	41(ii)	2,059,269	1,910,788
<b>TOTAL EQUITY</b>			
		<u>7,923,783</u>	<u>7,610,638</u>

The consolidated financial statements on pages 143 to 241 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

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**LIU JINLAN,**  
DIRECTOR

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**ZHANG YUXIAO,**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2022

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 payments reserve	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note i)	(note ii)	(note iii)								
At 1 January 2021	158,603	-	429,281	(130,150)	840,004	9,700	(6,355)	4,356,104	(3,540)	3,964	5,657,611	1,921,431	7,579,042
Profit for the year	-	-	-	-	-	-	-	218,855	-	-	218,855	88,110	306,965
Other comprehensive expense for the year	-	-	-	-	-	-	(59,604)	-	-	-	(59,604)	(25,128)	(84,732)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	(59,604)	218,855	-	-	159,251	62,982	222,233
Appropriations	-	-	-	-	46,208	-	-	(46,208)	-	-	-	-	-
Issuance of scrip shares (note 14)	4,615	76,602	-	-	-	-	-	-	-	-	81,217	-	81,217
Dividend recognised as distribution (note 14)	-	(76,602)	-	-	-	-	-	(126,259)	-	-	(202,861)	-	(202,861)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(73,625)	(73,625)
Shares vested under the share-award scheme	-	-	-	-	-	-	-	5,976	-	(5,976)	-	-	-
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	-	-	-	-	4,632	4,632	-	4,632
At 31 December 2021	163,218	-	429,281	(130,150)	886,212	9,700	(65,959)	4,408,468	(3,540)	2,620	5,699,850	1,910,788	7,610,638
Profit for the year	-	-	-	-	-	-	-	348,391	-	-	348,391	209,821	558,212
Other comprehensive income for the year	-	-	-	-	-	-	13,439	-	-	-	13,439	5,720	19,159
Total comprehensive income for the year	-	-	-	-	-	-	13,439	348,391	-	-	361,830	215,541	577,371
Appropriations	-	-	-	-	87,057	-	-	(87,057)	-	-	-	-	-
Dividend recognised as distribution (note 14)	-	-	-	-	-	-	-	(203,882)	-	-	(203,882)	-	(203,882)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(67,060)	(67,060)
Shares vested under the share-award scheme	-	-	-	-	-	-	-	5,925	-	(5,925)	-	-	-
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	-	-	-	-	6,716	6,716	-	6,716
<b>At 31 December 2022</b>	<b>163,218</b>	<b>-</b>	<b>429,281</b>	<b>(130,150)</b>	<b>973,269</b>	<b>9,700</b>	<b>(52,520)</b>	<b>4,471,845</b>	<b>(3,540)</b>	<b>3,411</b>	<b>5,864,514</b>	<b>2,059,269</b>	<b>7,923,783</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2022

## Notes:

- (i) Special reserve as at 31 December 2022 and 2021 of RMB429,281,000 represents (i) the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares in prior year; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda"), a subsidiary of the Company, at date of acquisition in prior year; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda"), a subsidiary of the Company, and the fair value of consideration paid in relation to the acquisition of the equity interest in 2016; (iv) the difference between the consideration paid by Jiangsu Xingda and the net carrying amount of 90% equity interest in Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), a subsidiary of the Company, in 2019; (v) the difference between the net carrying amount of additional 3.77% equity interest in Jiangsu Xingda acquired by Faith Maple through the subscription of 212,229,323 new shares issued by Jiangsu Xingda with an amount of RMB689,745,000 in 2019; (vi) the difference between the consideration paid by 5 strategic investors, namely 成山集團有限公司 (Chengshan Group Co., Ltd.\*) ("Chengshan Group"), 玲瓏輪胎有限公司 (Linglong Tire Co., Ltd.\*) ("Linglong Tire"), 賽輪集團股份有限公司 (Sailun Group Co., Ltd.\*) ("Sailun Group"), 三角輪胎股份有限公司 (Triangle Tyre Co., Ltd.\*) ("Triangle Tyre") and 嘉興建信宸玥股權投資合夥企業(有限合夥) (Jiaying Jianxin Chenyue Equity Investment Enterprise (Limited Partnership)\*) ("Jiaying Jianxin Chenyue") for 3.35% equity interest in Jiangsu Xingda and respective carrying amount of 3.35% of net assets of Jiangsu Xingda subgroup with an amount of RMB12,833,000 in 2020; (vii) the difference between the aggregate amount of net assets related to 42.38% and 24.50% equity interest in Shandong Xingda transferred from Faith Maple and a non-controlling interests to Jiangsu Xingda and 2.47% of net assets of Jiangsu Xingda subgroup with an amount of RMB64,004,000 in 2020; and (viii) the difference between the total share-based payment expenses recognised for the 101,840,880 shares of Jiangsu Xingda, transferred from a non-controlling shareholder, granted to eligible directors, employees and a supplier rendering services to the Group and the change in share of net assets of Jiangsu Xingda by non-controlling shareholders with an amount of RMB198,071,000 in 2020.
- (ii) 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.
- (iii) According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Xingda Special Cord, Xingda International (Shanghai) Special Cord Co., Ltd. ("Xingda International (Shanghai)"), Shanghai Xingda Steel Tyre Cord Co., Ltd. ("Shanghai Xingda"), Shandong Xingda, Jiangsu Xingda Intelligence Manufacturing Co., Ltd ("Xingda Intelligence") and Taizhou Xingda Metal Products Co., Ltd., 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 2022

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	744,638	419,001
Adjustments for		
Depreciation and amortisation	578,054	610,338
Interest income	(103,932)	(106,072)
Loss on fair value changes of investment properties	740	–
Dividend income from financial assets at fair value through profit or loss	(3,160)	(4,339)
Loss on disposal and written-off of property, plant and equipment	4,963	11,845
Recognition of impairment losses under expected credit loss model	2,543	7,507
Impairment loss recognised on property, plant and equipment	71,360	–
Recognition of equity-settled share-based payments	6,716	4,632
Finance costs	198,936	163,437
Loss on change in fair value of financial assets at FVTPL	8,129	14,228
Amortisation of deferred income	(6,003)	(7,759)
Staff housing benefits	–	1,400
Unrealised exchange (gain) loss	(37,724)	17,975
Operating cash flows before movements in working capital	<b>1,465,260</b>	1,132,193
Decrease (increase) in inventories	174,226	(581,714)
Increase in trade, bills and other receivables	(71,777)	(2,040,026)
Decrease in prepayments	3,000	3,000
Increase in trade, bills and other payables	118,231	1,583,083
Increase in contract liabilities	12,428	6,367
Decrease in amount due to a related company	–	(3,415)
Cash generated from operations	<b>1,701,368</b>	99,488
Income taxes paid	(120,422)	(193,941)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>1,580,946</b>	(94,453)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2022

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
<b>INVESTING ACTIVITIES</b>		
Placement of term deposits	(2,004,000)	(100,000)
Purchases of property, plant and equipment	(1,806,301)	(1,500,359)
Payments for right-of-use assets	(23,567)	(241,552)
Withdrawal of term deposits	1,700,000	–
Receipts of assets-related government grants	34,992	185,667
Interest received	210,521	2,856
Payment for acquiring financial assets at FVTPL	–	(100,000)
Proceeds from disposal of financial assets at FVTPL	76,279	20,640
Proceeds on disposal of property, plant and equipment	6,990	42,059
Dividend received from financial assets at FVTPL	3,160	4,339
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,801,926)</b>	<b>(1,686,350)</b>
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	7,162,597	6,527,569
Repayments of bank borrowings	(6,270,597)	(4,487,785)
Other loans raised	–	10,300
Repayment of other loans	–	(25,300)
Dividends paid	(203,882)	(121,644)
Interest paid	(221,116)	(144,854)
Dividends paid to non-controlling interests of subsidiaries	(150,793)	(139,224)
Repayments to obligation from repurchase of shares	(9,583)	–
Repayments of lease liabilities	(240)	(572)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>306,386</b>	<b>1,618,490</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>85,406</b>	<b>(162,313)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>712,365</b>	<b>890,965</b>
Effect of foreign exchange rates changes	27,096	(16,287)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>824,867</b>	<b>712,365</b>
Bank balances and cash	824,867	712,365

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 1. GENERAL

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

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

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

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

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

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

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

### 3.2 Significant accounting policies

#### *Basis of consolidation*

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Basis of consolidation – continued*

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

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

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

#### *Optional concentration test*

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

#### *Business combinations*

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing output.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Business combinations – continued*

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Business combinations – continued*

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

#### *Revenue from contracts with customers*

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Revenue from contracts with customers – continued*

##### Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

##### Leases

##### Definition of a lease

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

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

##### The Group as a lessee

##### Allocation of consideration to components of a contract

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Leases – continued*

The Group as a lessee – *continued*

#### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters 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 assets includes:

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

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

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

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

#### Refundable rental deposits

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Leases – continued*

The Group as a lessee – *continued*

#### Lease liabilities

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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Leases – continued*

The Group as a lessee – *continued*

Lease 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, less any lease incentives receivable, 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 assets. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Leases – continued*

The Group as lessor – *continued*

#### 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.

#### *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).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Borrowing costs*

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Share-based payments*

Equity-settled share-based payment transactions

#### Shares granted to employees

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

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

A trustee, as an independent third party, was appointed by the Company for the administration of the share award scheme. When the 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Taxation – continued*

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

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Taxation – continued*

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

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

#### *Property, plant and equipment*

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Property, plant and equipment – continued*

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

Depreciation is recognised so as to write off the cost of assets other than freehold land and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Investment properties – continued*

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

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Research and development expenditure – continued*

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.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

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

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. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profits or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of 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.

#### *Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Inventories*

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

#### *Financial instruments*

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Financial instruments – continued*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Financial instruments – continued*

*Financial assets – continued*

Classification and subsequent measurement of financial assets – continued

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.

(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 and losses, net” line item.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Financial instruments – continued*

*Financial assets – continued*

Impairment of financial assets subject to impairment assessment under IFRS 9

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) which 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.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for credit-impaired debtors and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Financial instruments – continued*

*Financial assets – continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – continued

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Financial instruments – continued*

*Financial assets – continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – continued

(b) Definition of default

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

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

(c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Financial instruments – continued*

*Financial assets – continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – continued

(d) Write-off policy

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

(e) Measurement and recognition of ECL

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

*Financial instruments – continued*

Financial assets – continued

Impairment of financial assets subject to impairment assessment under IFRS 9 – continued

(e) Measurement and recognition of ECL – continued

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### 3.2 Significant accounting policies – continued

#### *Financial instruments – continued*

#### *Financial liabilities and equity – continued*

#### 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, dividend payable and borrowings are subsequently measured at amortised cost, using the effective interest method.

#### Obligations arising from repurchase of shares of a subsidiary

Obligations arising from repurchase of shares of a subsidiary as set out in note 31 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.

#### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

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

#### *Estimated provision of ECL for trade receivables*

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

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 39 and 24, respectively.

#### *Estimated impairment of property, plant and equipment*

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, mainly in assessing whether an event has occurred or any indicators that may affect the asset value. In view of that the Group's thermal-electric power plant has gradually ceased operation throughout the current year, which the management has identified as impairment indicator, the Group performed impairment assessment on property, plant and equipment in relation to the thermal-electric power plant. Changing the assumptions and estimates could materially affect the recoverable amounts.

During the year 31 December 2022, the Group has recognised RMB71,360,000 impairment on property, plant and equipment relevant to thermal-electric power plant operation in cost of sales to the consolidated statement of profit or loss and other comprehensive income. Details of the impairment are disclosed in note 16.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the Year ended 31 December 2022*

## **5. CAPITAL RISK MANAGEMENT**

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

The capital structure of the Group consists of debt, which includes borrowings, lease liabilities and obligations arising from repurchase of shares disclosed in notes 28, 30 and 31 respectively and equity attributable to owners of the Company, comprising share capital and reserves.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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:

	<b>Year ended</b> <b>31/12/2022</b> <b>RMB'000</b>	Year ended 31/12/2021 RMB'000
<b>Sale of products</b>		
Radial tire cords		
– For trucks	<b>5,209,375</b>	5,494,653
– For passenger cars	<b>4,056,017</b>	3,524,852
Bead wires and other wires	<b>1,546,636</b>	1,625,805
Total	<b>10,812,028</b>	10,645,310
<b>Timing of revenue recognition</b>		
A point in time	<b>10,812,028</b>	10,645,310

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*

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 6. REVENUE AND SEGMENT INFORMATION – CONTINUED

### Segment information

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

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
The PRC	<b>6,597,928</b>	5,511,157
Thailand	<b>1,144,732</b>	1,051,881
	<b><u>7,742,660</u></b>	<u>6,563,038</u>

### 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.

	<b>Year ended</b>	Year ended
	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
The PRC (country of domicile)	<b>6,939,808</b>	7,714,006
India	<b>493,196</b>	526,271
Thailand	<b>436,638</b>	532,025
United States of America	<b>367,978</b>	249,786
Brazil	<b>319,775</b>	168,184
Slovakia	<b>274,030</b>	166,666
Korea	<b>207,183</b>	209,676
Others	<b>1,773,420</b>	1,078,696
	<b><u>10,812,028</u></b>	<u>10,645,310</u>

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

No customer contributes over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 7. OTHER INCOME AND OTHER EXPENSE

### Other income

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i>
Bank interest income	103,932	106,072
Sales of scrap materials	54,365	54,776
Sales of other materials	27,702	–
Rental income from investment properties	3,624	4,901
Service income	5,941	3,335
Sundry income	18,255	20,701
	<u>213,819</u>	<u>189,785</u>

### Other expense

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i>
Cost of sales of other materials	(24,885)	–
Expenses of service income	(2,584)	–
Expenses of sundry income	(6,327)	–
	<u>(33,796)</u>	<u>–</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 8. GOVERNMENT GRANTS

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Unconditional government grants ( <i>note</i> )	16,708	12,808
Released from deferred income ( <i>note 29</i> )	6,003	7,759
	<u>22,711</u>	<u>20,567</u>

*Note:* The amount represents government grants received from the local governments, as subsidies for the Group's business development and technology improvement. The grant is unconditional at the date the amount was received by the Group and was recognised as income during the years ended 31 December 2022 and 2021.

## 9. OTHER GAINS AND LOSSES, NET

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Loss on change in fair value of financial assets at FVTPL	(8,129)	(14,228)
Loss on disposal and written-off of property, plant and equipment	(4,963)	(11,845)
Loss on fair value changes of investment properties	(740)	–
Net foreign exchange gain (loss)	163,008	(61,984)
Dividend income from financial assets at FVTPL	3,160	4,339
	<u>152,336</u>	<u>(83,718)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 10. FINANCE COSTS

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Interests on bank borrowings	217,687	146,216
Imputed interest on obligations arising from repurchase of shares (note 31)	18,604	17,429
Bills receivable discounted	2,568	1,450
Interests on lease liabilities	45	79
Others	3,172	–
	<u>242,076</u>	<u>165,174</u>
Less: interests capitalised in the cost of qualifying assets	<u>(43,140)</u>	<u>(1,737)</u>
	<u><u>198,936</u></u>	<u><u>163,437</u></u>

Borrowing costs capitalised during the year arose on a specific borrowing with interest rate of 4.83% (2021: on a specific borrowing with interest rate of 4.85%) per annum to expenditure on qualifying assets.

## 11. INCOME TAX EXPENSE

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Current tax	175,082	129,016
Overprovision in prior years	(8,296)	(3,294)
Withholding tax paid	25,039	20,950
Deferred tax (note 20)	(5,399)	(34,636)
	<u>186,426</u>	<u>112,036</u>

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 of certain PRC subsidiaries is 25% for both years except for Jiangsu Xingda as further described below.

Following the renewal of the High-tech Enterprise Certificate (the "Certificate") issued on 30 November 2021, Jiangsu Xingda is entitled for the tax incentive as High-tech Enterprise and accordingly, enjoyed preferential tax rate of 15% till 2023.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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 The Kingdom of Thailand ("Thailand") and The Grand Duchy of Luxembourg ("Luxembourg") has been made as the Group's subsidiaries in Thailand and Luxembourg have 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 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Profit before tax	<u>744,638</u>	<u>419,001</u>
Tax at the PRC tax rate of 25%	186,160	104,750
Tax effect of expenses not deductible for tax purposes	35,824	14,196
Tax effect of income not taxable for tax purposes	(10,821)	(5,903)
Tax effect of tax losses and deductible temporary differences not recognised	58,056	22,571
Tax effect of preferential tax rate	(102,218)	(46,927)
Overprovision in prior years	(8,296)	(3,294)
Withholding tax ( <i>note</i> )	<u>27,721</u>	<u>26,643</u>
Income tax expense for the year	<u>186,426</u>	<u>112,036</u>

*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 2022, one of the PRC subsidiaries (2021: one), has distributed dividends of RMB201,277,000 (2021: RMB174,438,000) to Faith Maple, a wholly-owned subsidiary of the Company established in the British Virgin Islands.

Other than RMB198,940,000 (2021: RMB172,110,000) retained profits, no deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to RMB2,396,768,000 (2021: RMB2,080,767,000), 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 12. PROFIT FOR THE YEAR

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 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)	803,172	821,022
Retirement benefit scheme contributions	95,918	83,394
Share-based payments	6,716	4,632
Total staff costs	905,806	909,048
Less: capitalised in inventories	(570,896)	(575,417)
Less: included in research and development expenditure	(45,289)	(32,178)
	<u>289,621</u>	<u>301,453</u>
Auditor's remuneration	2,883	2,554
Cost of inventories recognised as an expense	8,480,896	8,580,412
Depreciation and amortisation		
– Property, plant and equipment	562,465	595,211
– Right-of-use assets	15,589	15,127
Total depreciation and amortisation	578,054	610,338
Less: capitalised in inventories	(505,854)	(532,229)
Less: included in research and development expenditure	(13,580)	(12,085)
	<u>58,620</u>	<u>66,024</u>
Gross rental income from investment properties	(3,624)	(4,901)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	428	781
Rental income from investment properties, net	<u>(3,196)</u>	<u>(4,120)</u>
Impairment loss recognised on property, plant and equipment (included in cost of sales)	<u>71,360</u>	<u>–</u>

Note: During the year ended 31 December 2021, amount included staff housing benefits expenses of RMB1,400,000 which was arising from transfer of staff quarters previously accounted in property, plant and equipment to certain employees. No such transfer incurred during the year ended 31 December 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors

The emoluments paid or payable to seven (2021: seven) directors were as follows:

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Fees	1,026	966
Salaries and other allowances	8,160	10,106
Performance related incentive bonus (note)	11,881	13,656
Retirement benefit scheme contributions	111	43
Share-based payments	4,407	3,167
	<u>25,585</u>	<u>27,938</u>

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 2022

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related incentive bonus RMB'000 (note)	Retirement benefit scheme contributions RMB'000	Share- based payments RMB'000	Total RMB'000
<b>Executive Directors</b>						
LIU Jinlan	-	3,000	4,500	-	1,706	9,206
LIU Xiang	-	2,240	3,000	84	853	6,177
TAO Jinxiang	-	2,000	3,001	17	853	5,871
ZHANG Yuxiao	-	920	1,380	10	853	3,163
<b>Independent Non-executive Directors</b>						
William John SHARP	342	-	-	-	71	413
KOO Foo Sun, Louis	342	-	-	-	71	413
XU Chunhua	342	-	-	-	-	342
	<u>1,026</u>	<u>8,160</u>	<u>11,881</u>	<u>111</u>	<u>4,407</u>	<u>25,585</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### Directors – continued

Year ended 31 December 2021

	Fees	Salaries and other allowances	Performance related incentive bonus	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note)			
<b>Executive Directors</b>						
LIU Jinlan	–	4,006	5,256	–	1,246	10,508
LIU Xiang	–	2,400	3,600	20	623	6,643
TAO Jinxiang	–	2,400	3,600	20	623	6,643
ZHANG Yuxiao	–	1,300	1,200	3	571	3,074
<b>Independent Non-executive Directors</b>						
William John SHARP	322	–	–	–	52	374
KOO Foo Sun, Louis	322	–	–	–	52	374
XU Chunhua	322	–	–	–	–	322
	<u>966</u>	<u>10,106</u>	<u>13,656</u>	<u>43</u>	<u>3,167</u>	<u>27,938</u>

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

### Five highest paid employees

The five highest paid employees of the Group during the year included four directors (2021: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining one (2021: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	<b>Year ended</b> <b>31/12/2022</b> <b>RMB'000</b>	Year ended 31/12/2021 RMB'000
Salaries, allowances and benefits in kind	<b>1,788</b>	1,640
Retirement benefit scheme contributions	<b>40</b>	–
Performance related incentive bonus (note)	<b>2,460</b>	2,460
Share-based payments	<b>729</b>	451
	<b><u>5,017</u></b>	<u>4,551</u>

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

Emoluments of the five highest paid employees, including directors of the Company, were within the bands:

	<b>Year ended</b> <b>31/12/2022</b>	Year ended 31/12/2021
HK\$3,500,001 – HK\$4,000,000	<b>1</b>	1
HK\$5,500,001 – HK\$6,000,000	<b>1</b>	1
HK\$6,500,001 – HK\$7,000,000	<b>2</b>	–
HK\$8,000,001 – HK\$8,500,000	<b>–</b>	2
HK\$10,000,001 – HK\$10,500,000	<b>1</b>	–
HK\$12,500,001 – HK\$13,000,000	<b><u>–</u></b>	<u>1</u>

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 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 14. DIVIDEND

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 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 2021 – 15.0 HK cents per share (2021: final dividend paid in respect of the year ended 31 December 2020 – 15.0 HK cents per share)	<u>203,882</u>	<u>202,861</u>
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2021: 15.0 HK cents) per share	<u>222,752</u>	<u>203,882</u>

During the current year, a final dividend of 15.0 HK cents (2021: 15.0 HK cents) per ordinary share in an aggregate amount of RMB203,882,000 (2021: RMB202,861,000 with scrip alternatives) in respect of the year ended 31 December 2021 (2021: 31 December 2020) was approved at the annual general meeting of the Company held on 9 June 2022 (2021: 8 June 2021).

For the year ended 31 December 2021, these scrip alternatives were accepted by certain ordinary shareholders, as follows:

	Year ended 31/12/2021 RMB'000
Dividends:	
Cash	121,644
Ordinary share alternative	<u>81,217</u>
	<u>202,861</u>

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2022 of 15.0 HK cents (2021: 15.0 HK cents) per ordinary share in an aggregate amount of approximately RMB222,752,000 (2021: RMB203,882,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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:

	<b>Year ended</b> <b>31/12/2022</b> <b>RMB'000</b>	Year ended 31/12/2021 RMB'000
<b>Profit for the year attributable to owners of the Company</b>		
Earnings for the purpose of basic and diluted earnings per share	<u><u>348,391</u></u>	<u><u>218,855</u></u>

	<b>Year ended</b> <b>31/12/2022</b> <b>'000</b>	Year ended 31/12/2021 '000
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### Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,659,529</b>	1,626,009
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u><u>9,102</u></u>	<u><u>10,532</u></u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,668,631</u></u>	<u><u>1,636,541</u></u>

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 33.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2021	2,737,751	12,129	5,880,071	192,200	64,008	644,731	9,530,890
Additions	246,364	3,290	15,329	20,987	5,970	1,652,706	1,944,646
Reclassifications	291,388	4,600	759,469	11,745	14,202	(1,081,404)	-
Disposals	(23,690)	-	(164,214)	(1,125)	(880)	-	(189,909)
Exchange realignment	(40,132)	(630)	(37,334)	(66)	(466)	(40,829)	(119,457)
At 31 December 2021	3,211,681	19,389	6,453,321	223,741	82,834	1,175,204	11,166,170
Additions	85	-	28,173	5,388	7,983	1,591,351	1,632,980
Reclassifications	610,205	-	712,159	497	-	(1,322,861)	-
Disposals and written-off	(16,493)	-	(34,616)	(17,307)	(810)	-	(69,226)
Exchange realignment	37,766	242	17,632	212	326	3,162	59,340
<b>At 31 December 2022</b>	<b>3,843,244</b>	<b>19,631</b>	<b>7,176,669</b>	<b>212,531</b>	<b>90,333</b>	<b>1,446,856</b>	<b>12,789,264</b>
DEPRECIATION AND IMPAIRMENT							
At 1 January 2021	1,040,617	3,008	3,764,845	137,905	40,993	-	4,987,368
Provided for the year	185,869	503	375,996	24,459	8,384	-	595,211
Eliminated on disposals	(17,713)	-	(115,416)	(984)	(832)	-	(134,945)
Exchange realignment	(3,812)	(172)	(6,229)	(73)	(204)	-	(10,490)
At 31 December 2021	1,204,961	3,339	4,019,196	161,307	48,341	-	5,437,144
Provided for the year	160,241	1,380	373,305	18,597	8,942	-	562,465
Eliminated on disposals and written-off	(12,940)	-	(27,141)	(16,459)	(733)	-	(57,273)
Exchange realignment	4,638	109	4,695	91	170	-	9,703
<b>At 31 December 2022</b>	<b>1,356,900</b>	<b>4,828</b>	<b>4,370,055</b>	<b>163,536</b>	<b>56,720</b>	<b>-</b>	<b>5,952,039</b>
IMPAIRMENT							
At 1 January 2021 and 2022	-	-	-	-	-	-	-
Provided for the year	25,869	-	45,216	275	-	-	71,360
<b>At 31 December 2022</b>	<b>25,869</b>	<b>-</b>	<b>45,216</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>71,360</b>
CARRYING VALUES							
<b>At 31 December 2022</b>	<b>2,460,475</b>	<b>14,803</b>	<b>2,761,398</b>	<b>48,720</b>	<b>33,613</b>	<b>1,446,856</b>	<b>6,765,865</b>
At 31 December 2021	2,006,720	16,050	2,434,125	62,434	34,493	1,175,204	5,729,026

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 16. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Construction in progress as at 31 December 2022 and 2021 mainly represents 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.

### Impairment assessment

Arising from the cessation of thermal-electric power plant operation gradually throughout the current year, the management of the Group concluded there was indication for impairment and conducted impairment assessment on relevant property, plant and equipment with carrying amounts of RMB71,360,000, mainly representing thermal-electric power plant and equipment installed in the plant.

The recoverable amounts of the relevant property, plant and equipment have been determined based on their fair value less costs of disposal, the fair value measurement of which is categorised into Level 3 fair value hierarchy. RMB71,360,000 impairment was recognised during the year ended 31 December 2022 on property, plant and equipment relevant to thermal-electric power plant operation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 17. RIGHT-OF-USE ASSETS

	<b>Leasehold lands</b>	<b>Leased properties</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2022			
Carrying amount	634,042	959	635,001
At 31 December 2021			
Carrying amount	625,817	1,387	627,204
For the year ended 31 December 2022			
Amortisation	15,342	247	15,589
Additions to right-of-use assets	23,567	142	23,709
Disposal of right-of-use assets	–	323	323
For the year ended 31 December 2021			
Amortisation	14,558	569	15,127
Additions to right-of-use assets	<u>241,552</u>	<u>–</u>	<u>241,552</u>
	<b>Year ended</b>	<b>Year ended</b>	
	<b>31/12/2022</b>	<b>31/12/2021</b>	
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	
Expense relating to short-term leases	<b>205</b>	351	
Total cash outflow for leases	<u><b>24,057</b></u>	<u>242,554</u>	

For both years, the Group leases lands in the PRC and office premises for its operations. Lease contracts are entered into for fixed term of 2 to 70 years. Lease terms are negotiated on an individual basis and contain 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.

As at 31 December 2022, the Group's certain leasehold lands located in the PRC with carrying amount of RMB199,896,000 (2021: RMB204,046,000) have been pledged as securities for the Group's bank borrowings as set out in note 28.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 17. RIGHT-OF-USE ASSETS – CONTINUED

The Group regularly entered into short-term leases for its office premises. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, lease liabilities of RMB1,030,000 are recognised with related right-of-use assets of RMB959,000 as at 31 December 2022 (2021: lease liabilities of RMB1,494,000 are recognised with related right-of-use assets of RMB1,387,000). 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

	<i>RMB'000</i>
At 1 January 2020	73,061
Exchange realignment	<u>(8,956)</u>
At 31 December 2021	64,105
Exchange realignment	<u>3,437</u>
<b>At 31 December 2022</b>	<b><u><u>67,542</u></u></b>

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

## 19. INVESTMENT PROPERTIES

	<i>RMB'000</i>
<b>FAIR VALUE</b>	
At 1 January 2021 and 31 December 2021	121,740
Loss on fair value changes recognised in profit or loss	<u>(740)</u>
<b>At 31 December 2022</b>	<b><u><u>121,000</u></u></b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 19. INVESTMENT PROPERTIES – CONTINUED

The fair values of the Group's investment properties at 31 December 2022 have been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Limited (2021: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), an independent qualified professional valuer 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% (2021: 4.42%) and rental ranging from RMB146 to RMB165 per square meter per month (2021: RMB124 to RMB142 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 2022 and 2021 are as follows:

	<b>Level 3</b>	
	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Office premises located in Shanghai	<b>121,000</b>	121,740

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

## 20. DEFERRED TAXATION

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

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Deferred tax assets	<b>123,651</b>	114,480
Deferred tax liabilities	<b>(53,046)</b>	(49,274)
	<b>70,605</b>	65,206

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 20. DEFERRED TAXATION – CONTINUED

The followings are 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 2021	36,105	12,201	(7,381)	24,392	(19,623)	(3,606)	(11,518)	30,570
Credit (charge) to profit or loss	17,175	37,676	(531)	(13,069)	(1,067)	145	(5,693)	34,636
At 31 December 2021	53,280	49,877	(7,912)	11,323	(20,690)	(3,461)	(17,211)	65,206
Credit (charge) to profit or loss	1,096	8,035	(532)	40	(704)	147	(2,683)	5,399
<b>At 31 December 2022</b>	<b>54,376</b>	<b>57,912</b>	<b>(8,444)</b>	<b>11,363</b>	<b>(21,394)</b>	<b>(3,314)</b>	<b>(19,894)</b>	<b>70,605</b>

Note: The deferred tax assets represent tax impact of temporary differences between the carrying amount of the property, plant and equipment transferred and their tax bases.

As at 31 December 2022, the Group has not recognised deferred tax asset on deductible temporary differences amounting to RMB188,304,000, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (2021: 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 RMB223,319,000 (2021: RMB181,165,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses, RMB216,345,000 (2021: RMB178,699,000) are with expiry dates within five years after the reporting period, as disclosed in the following table, RMB4,508,000 (2021: nil) are to expire within seventeen years and RMB2,466,000 (2021: RMB2,466,000) may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 20. DEFERRED TAXATION – CONTINUED

During the year ended 31 December 2022, RMB1,761,000 unrecognised tax losses is expired (for the year ended 31 December 2021: RMB126,000).

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
2022	–	(1,761)
2023	<b>(7,481)</b>	(7,481)
2024	<b>(27,104)</b>	(27,104)
2025	<b>(52,070)</b>	(52,070)
2026	<b>(90,283)</b>	(90,283)
2027	<b>(39,407)</b>	–
	<b><u>(216,345)</u></b>	<u>(178,699)</u>

## 21. PREPAYMENTS

The amount of RMB20,963,000 (2021: RMB23,963,000) represents the prepayment of road maintenance and management fee to a government authority for a period of 6.99 (2021: 7.99) years. As at 31 December 2022, an amount of RMB3,000,000 (2021: 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 RMB17,963,000 (2021: RMB20,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

## 22. INVENTORIES

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Raw materials	<b>425,926</b>	474,823
Work in progress	<b>202,026</b>	186,141
Finished goods	<b>553,217</b>	694,431
	<b><u>1,181,169</u></b>	<u>1,355,395</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 23. FINANCIAL ASSETS AT FVTPL

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Listed securities held for trading:		
– Equity securities listed in Hong Kong ( <i>note i</i> )	65,108	71,286
– Equity securities listed in A Share Market ( <i>note ii</i> )	–	78,230
	<u>65,108</u>	<u>149,516</u>

Notes:

- i. 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 Stock Exchange. For the year ended 31 December 2022, the Group has recognised a fair value loss of RMB6,178,000 (for the year ended 31 December 2021: a fair value loss of RMB13,098,000) in respect of these listed securities.
- ii. The fair value measurement of such investments are classified as Level 1 fair value measurement which are based on the quoted price published on Shenzhen Stock Exchange. For the year ended 31 December 2022, the Group has recognised a fair value loss of RMB1,951,000 (for the year ended 31 December 2021: a fair value loss of RMB1,130,000) in respect of these listed securities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 24. TRADE, BILLS AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers.

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Trade receivables – goods	<b>3,194,017</b>	3,099,584
Less: Allowance for credit losses	<b>(55,828)</b>	(53,113)
	<b>3,138,189</b>	3,046,471
Bills receivable	<b>4,350,647</b>	4,581,209
Less: Allowance for credit losses	<b>(1,950)</b>	(1,950)
	<b>4,348,697</b>	4,579,259
	<b>7,486,886</b>	7,625,730
Advances to suppliers of raw materials	<b>522,456</b>	258,801
Prepayments for spool	<b>23,145</b>	50,342
Value-added tax recoverable	<b>88,451</b>	188,644
Other receivables	<b>19,313</b>	30,763
Other prepayments	<b>12,728</b>	24,228
Less: Allowance for credit losses on other receivables	<b>(5,262)</b>	(5,262)
	<b>660,831</b>	547,516
	<b>8,147,717</b>	8,173,246

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 24. TRADE, BILLS AND OTHER RECEIVABLES – CONTINUED

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
0 – 90 days	2,218,549	2,418,187
91 – 120 days	333,150	257,567
121 – 180 days	321,402	176,649
181 – 360 days	261,400	176,893
Over 360 days	3,688	17,175
	<u>3,138,189</u>	<u>3,046,471</u>
Bills receivable		
0 – 90 days	278,447	493,510
91 – 180 days	1,313,346	1,527,692
181 – 360 days	2,292,295	2,234,464
Over 360 days	464,609	323,593
	<u>4,348,697</u>	<u>4,579,259</u>

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:

	31/12/2022	Equivalent to RMB	31/12/2021	Equivalent to RMB
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
United States Dollar ("USD")	90,305	628,937	71,607	456,545
EURO ("EUR")	16,429	121,951	15,694	113,306
RMB	<u>229</u>	<u>229</u>	<u>1,284</u>	<u>1,284</u>

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 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB682,384,000 (2021: RMB431,183,000) which are past due as at the reporting date. Out of the past due balances, RMB247,331,000 (2021: RMB174,159,000) has been past due 90 day 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 24. TRADE, BILLS AND OTHER RECEIVABLES – CONTINUED

Details of expected credit losses assessment of trade, bills and other receivables are set out in note 39.

Note: Transfers of financial assets

The following were the Group's financial assets as at 31 December 2022 and 2021 that were transferred to suppliers or banks by endorsing or discounting bills receivable on a full recourse basis. There is no restriction on the use of the bills. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables. The associated assets and liabilities are shown in below. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

### As at 31 December 2022

	<b>Bills receivable endorsed/discounted to suppliers/banks with full recourse RMB'000</b>
Carrying amount of transferred assets	2,958,915
Carrying amount of associated assets/liabilities	
– Advances to suppliers of raw materials	1,015,852
– Trade payables	1,777,463
– Payables for purchase of property, plant and equipment	2,200
– Bank borrowings	163,400
	<hr/>
Net position	<hr/> <hr/> –

### As at 31 December 2021

	<b>Bills receivable endorsed/discounted to suppliers/banks with full recourse RMB'000</b>
Carrying amount of transferred assets	3,245,774
Carrying amount of associated assets/liabilities	
– Advances to suppliers of raw materials	1,486,639
– Trade payables	1,658,824
– Payables for purchase of property, plant and equipment	8,720
– Bank borrowings	91,591
	<hr/>
Net position	<hr/> <hr/> –

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 25. TERM DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group. The bank balances carry market interest rates ranging from 0.01% to 1.15% (2021: 0.01% to 1.15%) per annum.

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
<i>Non-current</i>		
Pledged term deposits	<b>790,388</b>	532,995
Restricted term deposits	–	5,780
Other non-current term deposits	<b>709,285</b>	264,453
	<b>1,499,673</b>	803,228
<i>Current</i>		
Pledged term deposits	<b>1,188,205</b>	1,568,571
Restricted term deposits	<b>6,115</b>	–
Other current term deposits	<b>228,483</b>	362,370
	<b>1,422,803</b>	1,930,941
	<b>2,922,476</b>	2,734,169

Deposits with maturity periods over 3 months but within 1 year are presented as current assets whilst deposits with maturity periods of one to three years (2021: one to three years) are presented as non-current assets. As at 31 December 2022 and 2021, other than a RMB172,934,000 term deposit with original maturity in June 2025 (the "2025 Term Deposit"), the directors of the Company consider that the Group will not early withdraw the term deposits before maturity. The 2025 Term Deposit is expected to be withdrawn in order to repay the Syndicated Borrowing as defined in note 28 at the circumstance that respective banks may request an immediate repayment.

Pledged term deposits are placed with banks in the PRC and represent term deposits pledged to banks to secure bank borrowings.

Restricted term deposits are placed with banks in Thailand and represent term deposits to guarantee purchase agreements of natural gas and utility entered into by a subsidiary of the Company located in Thailand.

The term deposits are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The term deposits carry fixed interest rates for both years, that the effective interest rates range from 2.10% to 4.13% per annum (2021: from 3.85% to 4.13% per annum) for the Group. The carrying amounts of the term deposits of the Group approximated their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 25. TERM DEPOSITS AND BANK BALANCES AND CASH – CONTINUED

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:

	31/12/2022	Equivalent to RMB	31/12/2021	Equivalent to RMB
	'000	'000	'000	'000
Hong Kong dollars ("HK\$")	3,485	3,103	3,077	2,518
USD	47,784	332,670	28,272	180,229
EUR	5,903	43,801	3,835	27,683
RMB	198	198	471	471
	<u>198</u>	<u>198</u>	<u>471</u>	<u>471</u>

## 26. TRADE, BILLS AND OTHER PAYABLES

	31/12/2022	31/12/2021
	RMB'000	RMB'000
Trade payables	3,472,657	3,745,286
Bills payable	360,000	510,000
	<u>3,832,657</u>	<u>4,255,286</u>
Value-added tax payables and other tax payables	7,523	2,049
Accrued staff costs	300,446	294,858
Payables for purchase of property, plant and equipment	1,058,382	1,139,554
Accrued interest expenses	6,184	7,000
Accrued expenses	55,087	48,778
Others	25,657	29,886
	<u>1,453,279</u>	<u>1,522,125</u>
	<u>5,285,936</u>	<u>5,777,411</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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:

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Trade payables		
0 – 90 days	<b>650,047</b>	1,868,108
91 – 180 days	<b>1,170,817</b>	1,104,223
181 – 360 days	<b>1,544,298</b>	690,845
Over 360 days	<b>107,495</b>	82,110
	<u><b>3,472,657</b></u>	<u>3,745,286</u>

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Bills payable		
0 – 90 days	<b>310,000</b>	100,000
91 – 180 days	–	270,047
181 – 360 days	<b>50,000</b>	139,953
	<u><b>360,000</b></u>	<u>510,000</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 26. TRADE, BILLS AND OTHER PAYABLES – CONTINUED

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

	31/12/2022	Equivalent to RMB	31/12/2021	Equivalent to RMB
	'000	'000	'000	'000
USD	5,258	36,622	8,783	56,452
EUR	402	2,983	–	–
RMB	<u>341,713</u>	<u>341,713</u>	<u>430,802</u>	<u>430,802</u>

The average credit period on purchase of goods is 90 days which may be extended to 120 days or 180 days based on negotiation with the suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 27. CONTRACT LIABILITIES

The Group may require certain customers to pay deposits in advance and to fully settle the remaining balance before or upon delivery.

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

As at 1 January 2022, contract liabilities amounted to RMB44,847,000 (2021: RMB38,480,000), all of which has been recognised as the Group's revenue during the year ended 31 December 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 28. BORROWINGS

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	<u>6,891,831</u>	<u>5,549,478</u>
Secured (note)	3,032,618	1,750,613
Unsecured	<u>3,859,213</u>	<u>3,798,865</u>
	<u>6,891,831</u>	<u>5,549,478</u>

The Group's bank borrowings are repayable as follows:

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount repayable (based on scheduled repayment terms) (excluding repayable on demand borrowings)		
Within one year	4,837,831	4,789,478
More than one year but not exceeding two years	1,152,500	310,000
More than two years but not exceeding five years	–	450,000
	<u>5,990,331</u>	<u>5,549,478</u>
Carrying amount of above borrowings that are repayable on demand due to breach of borrowing covenant (shown under current liabilities)	<u>901,500</u>	–
	6,891,831	5,549,478
Less: Amounts due within one year shown under current liabilities	<u>(5,739,331)</u>	<u>(4,789,478)</u>
Amounts shown under non-current liabilities	<u>1,152,500</u>	<u>760,000</u>

Note: These borrowings secured by pledged term deposits, leasehold lands and bills receivable amounting to RMB1,978,593,000, RMB199,896,000 and RMB163,400,000, respectively (2021: secured by pledged term deposits, leasehold lands and bills receivable amounting to RMB2,101,566,000, RMB204,046,000 and RMB91,591,000, respectively), details of which are set out in notes 25, 17 and 24.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 28. BORROWINGS – CONTINUED

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Bank borrowings comprise:		
Fixed-rate borrowings	<b>5,604,609</b>	5,394,172
Variable-rate borrowings	<b>1,287,222</b>	155,306
	<b><u>6,891,831</u></b>	<u>5,549,478</u>

The Group's variable-rate bank borrowings carry interests at 2.20% above 1-month Hong Kong and InterBank Offered Rate, which are reset monthly, and 0.25% to 1.00% above 1-year Loan Prime Rate, which are reset yearly (2021: 2.20% above 1-month Hong Kong and InterBank Offered Rate, which are reset monthly).

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

	<b>31/12/2022</b>	31/12/2021
Effective interest rates:		
Fixed-rate borrowings	<b>1.35% – 4.05%</b>	0.60% – 4.85%
Variable-rate borrowings	<b><u>3.40% – 7.22%</u></b>	<u>2.30%</u>

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

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
HK\$	<b>160,722</b>	155,306
USD	<b><u>–</u></b>	<u>204,022</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 28. BORROWINGS – CONTINUED

During the year, in respect of a Syndicated Borrowing Contract entered into by a non-wholly-owned subsidiary of the Company and five banks (the “Syndicated Borrowing”) with a carrying amount of RMB901,500,000 as at 31 December 2022, the subsidiary of the Company breached certain of the terms of the bank borrowing, which are primarily related to the asset-liquidity ratio of the entity and the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. As at 31 December 2022, those negotiations had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan has been classified as a current liability as at 31 December 2022. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the loan, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

## 29. DEFERRED INCOME

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Deferred income – non-current liability	<u><b>255,702</b></u>	<u>226,713</u>

During the year ended 31 December 2022, the Group received government grant of RMB34,992,000 (2021: RMB185,667,000) to support the Group’s industrial projects. The amount has been accounted for as deferred income and released to income over the useful lives of the relevant assets. As at 31 December 2022, balance of RMB255,702,000 (2021: RMB226,713,000) remains to be amortised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 30. LEASE LIABILITIES

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Lease liabilities payable:</b>		
Within one year	251	595
Within a period of more than one year but not more than two years	250	181
Within a period of more than two years but not more than five years	529	593
Within a period of more than five years	–	125
	<u>1,030</u>	<u>1,494</u>
Less: Amount due to settlement with 12 months shown under current liabilities	<u>(251)</u>	<u>(595)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>779</u>	<u>899</u>

The weighted average incremental borrowing rates applied to lease liabilities is 4.35% for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 31. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Obligations arising from repurchase of shares – current liability	<u><b>249,677</b></u>	<u>248,962</u>

On 16 December 2020, Jiangsu Xingda, an indirectly non-wholly owned subsidiary of the Company, entered into capital increase agreements (the “Capital Increase Agreements”) with five strategic investors (hereinafter collectively referred to as the “Investors”), namely, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre and Jiaying Jianxin Chenyue, pursuant to which the Investors subscribed for, in aggregate, 3.35% of the equity interest, representing RMB63,888,885 of enlarged paid-in capital of Jiangsu Xingda, by way of cash contribution at an aggregate consideration of RMB230,000,000.

The Capital Increase Agreements each contains a share repurchase arrangement, pursuant to which Jiangsu Xingda granted redemption right to the Investors, who have the put option to demand Faith Maple to repurchase their shares at an agreed price equivalent to full consideration of the capital injection plus imputed interest at 8% per annum deducting all dividend (including tax) received from Jiangsu Xingda starting from the date of payment of share subscription, if Jiangsu Xingda does not complete the A share initial public offering and become listed on either the Shanghai Stock Exchange or Shenzhen Stock Exchange by 31 December 2022.

The obligation of the Group arising from repurchase of shares was regarded as a financial liability with present value of RMB249,677,000 at 31 December 2022 (2021: RMB248,962,000). The imputed interest of 8% per annum charged to profit or loss under finance costs during the current period amounted to RMB18,604,000 (for the year ended 31 December 2021: RMB17,429,000) and dividends received from Jiangsu Xingda amounted to RMB17,889,000 (for the year ended 31 December 2021: nil), which was deducted from the obligations arising from repurchase of shares.

In January 2023, Jiaying Jianxin Chenyue, who held equity interests representing approximately 0.44% of the total issued capital of Jiangsu Xingda, exercised the put option and transferred the 0.44% Jiangsu Xingda shareholding to Xingda Xiu Yuan Hotel Co., Ltd. 興化市繡園酒店有限公司 (“Xingda Xiu Yuan”), a limited company controlled by a director of the Company. Details are set out in note 43.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 32. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	2022	2021
	'000	'000	RMB'000	RMB'000
Authorised:				
3 billion ordinary shares of HK\$0.1 each	<u>3,000,000</u>	<u>3,000,000</u>	<u>301,410</u>	<u>301,410</u>
Issued and fully paid:				
At beginning of year	<u>1,662,445</u>	1,606,928	<u>163,218</u>	158,603
Issuance of scrip shares (note)	<u>–</u>	<u>55,517</u>	<u>–</u>	<u>4,615</u>
At end of year	<u>1,662,445</u>	<u>1,662,445</u>	<u>163,218</u>	<u>163,218</u>

Note: During the year ended 31 December 2021, the Company issued and allotted 55,517,006 new ordinary shares of HK\$0.1 each as scrip alternatives for the final dividend. Details are set out in note 14.

Neither the Company nor any of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2022 and 2021.

## 33. SHARE-BASED PAYMENTS

### Share-Award Scheme

The Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 4 September 2009 for the primary purpose of providing incentives to the participants of the Scheme (the "Participants") including the directors and certain employees of the Group, to achieve performance goals which in turn achieve the objectives of increasing the value of the Group and align the interests of directors and eligible employees directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the Participants in accordance to the rules of the Scheme.

No shares have been purchased from the open market pursuant to the Scheme during the years ended 31 December 2022 and 2021. 3,333,333 (2021: 3,333,332) awarded shares were vested during the year. Movements in the number of awarded shares outstanding during the year are as follows:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 33. SHARE-BASED PAYMENTS – CONTINUED

### Share-Award Scheme – continued

#### 2022

Categories of awardees	Date of grant (Note i)	Fair value per share HK\$ (Note ii)	Number of awarded shares				Vesting period
			Outstanding at 1 January 2022	Vested during the year	Granted during the year	Outstanding at 31 December 2022	
Directors of the Company	22 August 2019	1.487	2,050,000	(2,050,000)	–	–	22 August 2019 to 31 March 2022
Directors of the Company	22 August 2019	1.365	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2023
Directors of the Company	22 August 2019	1.253	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2024
Employees	22 August 2019	1.532	1,283,333	(1,283,333)	–	–	22 August 2019 to 31 March 2022
Employees	22 August 2019	1.474	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2023
Employees	22 August 2019	1.443	1,283,334	–	–	1,283,334	22 August 2019 to 31 March 2024
Directors of the Company	30 November 2021	1.147	3,250,000	–	–	3,250,000	30 November 2021 to 31 March 2025
Directors of the Company	30 November 2021	1.065	3,250,000	–	–	3,250,000	30 November 2021 to 31 March 2026
Directors of the Company	30 November 2021	1.000	3,250,000	–	–	3,250,000	30 November 2021 to 31 March 2027
Employees	30 November 2021	1.189	1,750,000	–	–	1,750,000	30 November 2021 to 31 March 2025
Employees	30 November 2021	1.163	1,750,000	–	–	1,750,000	30 November 2021 to 31 March 2026
Employees	30 November 2021	1.153	1,750,000	–	–	1,750,000	30 November 2021 to 31 March 2027
			<u>25,000,000</u>	<u>(3,333,333)</u>	<u>–</u>	<u>21,666,667</u>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 33. SHARE-BASED PAYMENTS – CONTINUED

### Share-Award Scheme – continued

Categories of awardees	Date of grant (Note i)	Fair value per share HK\$ (Note ii)	Number of awarded shares				Vesting period
			Outstanding at 1 January 2021	Vested during the year	Granted during the year	Outstanding at 31 December 2021	
Directors of the Company	25 August 2016	2.150	2,066,666	(2,066,666)	–	–	25 August 2016 to 31 March 2021
Employees	25 August 2016	1.303	1,266,666	(1,266,666)	–	–	25 August 2016 to 31 March 2021
Directors of the Company	22 August 2019	1.487	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2022
Directors of the Company	22 August 2019	1.365	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2023
Directors of the Company	22 August 2019	1.253	2,050,000	–	–	2,050,000	22 August 2019 to 31 March 2024
Employees	22 August 2019	1.532	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2022
Employees	22 August 2019	1.474	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2023
Employees	22 August 2019	1.443	1,283,334	–	–	1,283,334	22 August 2019 to 31 March 2024
Directors of the Company	30 November 2021	1.147	–	–	3,250,000	3,250,000	30 November 2021 to 31 March 2025
Directors of the Company	30 November 2021	1.065	–	–	3,250,000	3,250,000	30 November 2021 to 31 March 2026
Directors of the Company	30 November 2021	1.000	–	–	3,250,000	3,250,000	30 November 2021 to 31 March 2027
Employees	30 November 2021	1.189	–	–	1,750,000	1,750,000	30 November 2021 to 31 March 2025
Employees	30 November 2021	1.163	–	–	1,750,000	1,750,000	30 November 2021 to 31 March 2026
Employees	30 November 2021	1.153	–	–	1,750,000	1,750,000	30 November 2021 to 31 March 2027
			<u>13,333,332</u>	<u>(3,333,332)</u>	<u>15,000,000</u>	<u>25,000,000</u>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 33. SHARE-BASED PAYMENTS – CONTINUED

### Share-Award Scheme – continued

Notes:

- (i) The date of grant refers to the date on which the selected directors and employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Scheme.
- (ii) The fair value of the awarded shares are based on the fair value at grant date.

The awarded shares granted in 2016 would be vested in tranches of approximately 3,333,333 shares annually over a period of three years from 2019 to 2021.

The awarded shares granted in 2019 would be vested in tranches of approximately 3,333,333 shares annually over a period of three years from 2022 to 2024.

The awarded shares granted in 2021 would be vested in tranches of approximately 5,000,000 shares annually over a period of three years from 2025 to 2027.

The Group recognised the total expenses of RMB6,716,000 for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB4,632,000) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 34. OPERATING LEASES

### The Group as lessor

Property rental income earned during the year was RMB3,624,000 (2021: RMB4,901,000). All of the properties held have committed tenants for the next six years (2021: two years).

At 31 December 2022 and 2021, the Group had contracted with tenants for the following future minimum lease payments:

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Within one year	<b>3,720</b>	4,766
In the second year	<b>2,901</b>	2,435
In the third year	<b>1,948</b>	177
In the fourth year	<b>1,161</b>	–
In the fifth year	<b>1,161</b>	–
After five years	<b>330</b>	–
	<b>11,221</b>	7,378

## 35. CAPITAL COMMITMENTS

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and freehold land contracted for but not provided in the consolidated financial statements	<b>272,430</b>	360,009

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 36. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The employees of the Group's entities in Hong Kong participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme at a cap at HK\$1,500 per month, which contribution is matched by the employee.

The employees of the Group's subsidiaries in PRC are covered by government-sponsored defined contribution pension schemes, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 16.0% (2021: 16.0%) of the employees' salaries subject to the minimum requirement of the local government, which are charged to operations as expenses when the contributions are due.

The Group's contribution to the retirement benefit scheme that is charged to profit or loss is RMB95,918,000 (2021: RMB83,394,000) for the year ended 31 December 2022.

## 37. 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	Year ended
		31/12/2022	31/12/2021
		RMB'000	RMB'000
Xingda Xiu Yuan ( <i>note i</i> )	Services fee for hotel and catering services	16,177	13,605
	Provision of utilities	494	550
Xinghua Xingda Rural Small Loan Co., Ltd. ( <i>note ii</i> )	Interest expenses for borrowings	–	26

Notes:

- (i) Xingda Xiu Yuan is a limited company controlled by a director of the Company.
- (ii) Xinghua Xingda Rural Small Loan Co., Ltd. is a limited company which is a non-wholly owned subsidiary of Xingda Xiu Yuan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 37. RELATED PARTY TRANSACTIONS – CONTINUED

### Compensation of key management personnel

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

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Short-term benefits	32,825	35,707
Post-employment benefits	326	97
Share-based payments	5,713	3,900
	<u>38,864</u>	<u>39,704</u>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 38. 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 2022

	Bank borrowings	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
As at 1 January 2022	5,549,478	7,000	263,377	1,494	248,962	6,070,311
Financing cash flows	892,000	(221,071)	(354,675)	(285)	(9,583)	306,386
Settlement by discounted bills	(91,591)	-	-	-	-	(91,591)
Dividend declared	-	-	279,248	-	-	279,248
Interest expenses	-	177,115	-	45	18,604	195,764
Interest capitalised	-	43,140	-	-	-	43,140
Effect of put options of shares of a subsidiary granted to non-controlling interests (note 31)	-	-	-	-	(8,306)	(8,306)
Additions to right-of-use assets	-	-	-	142	-	142
Disposal of right-of-use assets	-	-	-	(366)	-	(366)
Direct settlement of utilities by bank	527,718	-	-	-	-	527,718
Exchange difference	14,226	-	-	-	-	14,226
<b>As at 31 December 2022</b>	<b>6,891,831</b>	<b>6,184</b>	<b>187,950</b>	<b>1,030</b>	<b>249,677</b>	<b>7,336,672</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – CONTINUED

As at 31 December 2021

	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 2021	3,556,481	16,700	4,109	328,976	2,066	231,533	4,139,865
Financing cash flows	2,039,784	(15,000)	(144,775)	(260,868)	(651)	–	1,618,490
Settlement by discounted bills	(39,780)	(1,700)	–	–	–	–	(41,480)
Dividend declared	–	–	–	195,269	–	–	195,269
Interest expenses	–	–	145,929	–	79	17,429	163,437
Interest capitalised	–	–	1,737	–	–	–	1,737
Exchange difference	(7,007)	–	–	–	–	–	(7,007)
As at 31 December 2021	<u>5,549,478</u>	<u>–</u>	<u>7,000</u>	<u>263,377</u>	<u>1,494</u>	<u>248,962</u>	<u>6,070,311</u>

## 39. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	31/12/2022	31/12/2021
	RMB'000	RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost	11,248,280	11,097,765
Financial assets at FVTPL	<u>65,108</u>	<u>149,516</u>
<b>Financial liabilities</b>		
Amortised cost	<u>12,252,338</u>	<u>11,486,543</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies

The Group's major financial instruments include term deposits, bank balances and cash, trade, bills and other receivables, financial assets at FVTPL, trade, bills and other payables, dividend payable, borrowings and obligations arising from repurchase of shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risk*

##### (i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 30.9% (2021: 27.5%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst 5.5% (2021: 0.3%) of costs is denominated in currencies other than the functional currency of the group entity.

Certain trade, bills and other receivables, bank balances, trade and other payables, and borrowings of the Group are denominated in USD, HK\$, EUR, and RMB. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### Foreign currency sensitivity

The following details the Group's sensitivity to a 5% (2021: 3%) increase and decrease in RMB against USD, HK\$ and EUR and Thailand Baht ("THB") against RMB, USD and EUR. 5% (2021: 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 5% (2021: 3%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where RMB strengthen 5% (2021: 3%) against USD, HK\$ and EUR and THB against RMB, USD and EUR, and vice versa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies – continued

Market risk – continued

#### (i) Currency risk – continued

Foreign currency sensitivity – continued

	Year ended 31/12/2022 <b>RMB'000</b>	Year ended 31/12/2021 <b>RMB'000</b>
RMB against USD	<b>(37,648)</b>	(14,986)
RMB against HK\$	<b>7,882</b>	3,749
RMB against EUR	<b>(6,838)</b>	(3,595)
THB against RMB	<b>17,064</b>	12,871
THB against USD	<b>(1,820)</b>	–
THB against EUR	<b>(94)</b>	–

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

#### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to term deposits (see note 25 for details), fixed-rate borrowings (see note 28 for details), lease liabilities (see note 30 for details) and obligations arising from repurchase of shares (see note 31 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 28 for details of these borrowings) and variable-rate bank balances (see note 25 for details of these bank balances). It is the Group's policy to keep certain of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in respective notes and 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 and China Loan Prime Rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. 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-rate-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 balances is insignificant.

A 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 higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would decrease/increase by approximately RMB6,436,000 (2021: RMB777,000).

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% higher/lower, profit for the year ended 31 December 2022 would increase/decrease by RMB3,255,000 (2021: RMB6,889,000) 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 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies – *continued*

#### *Credit risk and impairment assessment*

As at 31 December 2022 and 2021, 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 72.6% (2021: 78.4%) of the total trade receivables as at 31 December 2022.

#### Bills receivable arising from contracts with customers

The Group performs impairment assessment under ECL model upon application of IFRS 9 on bills receivable arising from contracts with customers based on 12m ECL. The credit risk on bills receivable is limited 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies – continued

*Credit risk and impairment assessment - continued*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. 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:

2022	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
<b>Financial assets at amortised costs</b>					
Trade receivables	24	N/A	Low risk (note)	Lifetime ECL (not credit-impaired) (collective assessment)	<b>3,164,528</b>
			Loss	Lifetime ECL (credit-impaired)	<b>29,489</b>
					<hr/>
					<b>3,194,017</b>
Bills receivable	24	Baa1 – Aa3	Low risk Loss	12-month ECL Lifetime ECL (credit-impaired)	<b>4,348,697</b> <b>1,950</b>
					<hr/>
					<b>4,350,647</b>
Other receivables	24	N/A	Low risk Loss	12-month ECL Lifetime ECL (credit-impaired)	<b>14,051</b> <b>5,262</b>
					<hr/>
					<b>19,313</b>
Bank balances	25	Baa2 – Aa3	Low risk	12-month ECL	<b>824,012</b>
Term deposits	25	Baa2 – Aa3	Low risk	12-month ECL	<b>2,922,476</b>
					<hr/>
					<b>11,310,465</b>
					<hr/> <hr/>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment - continued

2021	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
<b>Financial assets at amortised costs</b>					
Trade receivables	24	N/A	Low risk (note)	Lifetime ECL (not credit-impaired) (collective assessment)	3,075,411
			Loss	Lifetime ECL (credit-impaired)	24,173
					3,099,584
Bills receivable	24	Baa1 – Aa3	Low risk Loss	12-month ECL Lifetime ECL (credit-impaired)	4,579,259 1,950
					4,581,209
Other receivables	24	N/A	Low risk Loss	12-month ECL Lifetime ECL (credit-impaired)	25,501 5,262
					30,763
Bank balances	25	Baa2 – Aa3	Low risk	12-month ECL	711,543
Term deposits	25	Baa2 – Aa3	Low risk	12-month ECL	2,734,169
					11,157,268

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. For trade receivables, 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.

For trade receivables, as part of the Group's credit risk management, the Group applied internal credit rating for its trade receivables 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 2022 within lifetime ECL (not credit-impaired). Credit-impaired debtors included in trade receivables with gross carrying amount of RMB29,489,000 (2021: RMB24,173,000) as at 31 December 2022 were assessed individually.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment - continued

At 31 December 2022

	Weighted- average expected credit loss rate %	Total gross carrying amount RMB'000	Lifetime ECL RMB'000
Customers of auto-related industry	0.830	2,920,908	24,245
Customers in chemicals, plastics and rubber industries	0.659	216,034	1,424
Others	2.429	27,586	670
Total		<u>3,164,528</u>	<u>26,339</u>

At 31 December 2021

	Weighted- average expected credit loss rate %	Total gross carrying amount RMB'000	Lifetime ECL RMB'000
Customers of auto-related industry	0.952	2,804,387	26,685
Customers in chemicals, plastics and rubber industries	0.691	248,628	1,719
Others	2.393	22,396	536
Total		<u>3,075,411</u>	<u>28,940</u>

During the year ended 31 December 2022, the Group recorded a net reversal of impairment losses under ECL model of RMB2,550,000 (2021: a net recognition of impairment losses under ECL model of RMB8,612,000) for trade receivables, based on the collective basis. Net impairment losses under ECL model of RMB5,093,000 (2021: a net reversal of impairment losses under ECL model of RMB1,105,000) were recognised on credit-impaired debtors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. 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) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	20,352	74,668	95,020
Impairment loss recognised	28,682	–	28,682
Impairment loss reversed	(20,070)	(1,105)	(21,175)
Transfer	(24)	24	–
Amount written-off ( <i>note</i> )	–	(49,414)	(49,414)
As at 31 December 2021	28,940	24,173	53,113
Impairment loss recognised	7,108	5,555	12,663
Impairment loss reversed	(9,658)	(462)	(10,120)
Transfer	(51)	51	–
Recovery after written-off	–	172	172
<b>As at 31 December 2022</b>	<b>26,339</b>	<b>29,489</b>	<b>55,828</b>

*Note:* During the year ended 31 December 2021, the Group writes off trade receivables of gross carrying amount of RMB49,414,000 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 years ended 31 December 2022 and 2021, no impairment loss was recorded 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 borrowings and ensures compliance with loan covenants.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. 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 2022

	Weighted average interest rate %	On demand or within 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade, bills and other payables	-	4,922,880	-	-	-	4,922,880	4,922,880
Dividend payable	-	187,950	-	-	-	187,950	187,950
Borrowings–							
– variable rate	4.79	1,087,028	214,384	-	-	1,301,412	1,287,222
– fixed rate	2.99	4,722,792	983,005	-	-	5,705,797	5,604,609
Lease liabilities	4.35	291	279	560	-	1,130	1,030
Obligations arising from repurchase of shares	7.28	249,677	-	-	-	249,677	249,677
		<u>11,170,618</u>	<u>1,197,668</u>	<u>560</u>	<u>-</u>	<u>12,368,846</u>	<u>12,253,368</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity risk tables – continued

At 31 December 2021

	Weighted average interest rate %	On demand or within				Total undiscounted cash flow RMB'000	Carrying amount RMB'000
		1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Over 5 years RMB'000		
Trade, bills and other payables	–	5,424,726	–	–	–	5,424,726	5,424,726
Dividend payable	–	263,377	–	–	–	263,377	263,377
Borrowings–							
– variable rate	2.30	155,609	–	–	–	155,609	155,306
– fixed rate	3.42	4,701,485	320,156	527,083	–	5,548,724	5,394,172
Lease liabilities	4.35	648	217	650	127	1,642	1,494
Obligations arising from repurchase of shares	7.28	267,567	–	–	–	267,567	248,962
		<u>10,813,412</u>	<u>320,373</u>	<u>527,733</u>	<u>127</u>	<u>11,661,645</u>	<u>11,488,037</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. FINANCIAL INSTRUMENTS – CONTINUED

### b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity risk tables – continued

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2022, arising from breach of borrowing covenant of a Syndicated Borrowing, the carrying amounts of bank borrowings with a repayment demand clause is amounting to RMB901,500,000 (2021: nil). The management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid within four years after the end of the reporting period in accordance with the scheduled repayment dates set out in the borrowing agreements, details of which are set out in the table below:

**Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments**

	<b>Less than 1 year</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>Over 5 years</b>	<b>Total undiscounted cash outflows amount</b>	<b>Carrying amount</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As 31 December 2022	<u>227,095</u>	<u>283,869</u>	<u>538,913</u>	<u>–</u>	<u>1,049,877</u>	<u>901,500</u>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 39. 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, representing listed equity securities in Hong Kong and A Share Market, 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				Relationship of unobservable inputs to fair value
	31 December 2022	31 December 2021	Fair value hierarchy	Valuation technique and key inputs	
	RMB'000	RMB'000			
Financial assets at FVTPL (note 23)	65,108	149,516	Level 1	Quoted price in active market.	N/A

Note: There were no transfers between Level 1 and Level 2 during the years ended 31 December 2022 and 2021.

## 40. MAJOR NON-CASH TRANSACTIONS

During the year, short-term borrowings drawn on discounted bills with recourse of RMB91,591,000 (2021: RMB41,480,000) have been settled by discounted bills upon maturity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are disclosed as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid up share capital/registered capital		Attributable to equity interest held by the Group		Principal activities
		2022	2021	2022	2021	
<b>Directly held by the Company</b>						
Faith Maple (note iii)	The British Virgin Islands	USD14,083	USD14,083	100%	100%	Investment holding
<b>Indirectly held by the Company</b>						
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司 (note i)	PRC	RMB2,862,262,865	RMB2,862,262,865	70.32%	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires
Shandong Xingda 山東興達鋼簾線有限公司 (note ii)	PRC	RMB579,686,886	RMB579,686,886	70.32%	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires
Shanghai Xingda 上海興達鋼簾線有限公司 (note ii)	PRC	RMB2,000,000	RMB2,000,000	70.32%	70.32%	Trading of radial tire cords and bead wires
Xingda International (Shanghai) 興達國際(上海)特種簾線有限公司 (note iii)	PRC	USD12,000,000	USD12,000,000	100%	100%	Commercial property investments
Taizhou Xingda Metal Products Co., Ltd 泰州興達特種鋼絲繩有限公司 (note ii)	PRC	RMB1,039,504,195	RMB683,704,195	100%	100%	Production and supply of heating power, manufacturing and distribution of radial tire cords and bead wires
Xingda Steel Cord (Thailand) Company Limited (note ii)	Thailand	THB4,769,586,800	THB4,514,144,700	70.32%	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the Year ended 31 December 2022*

## **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:

- (i) sino-foreign equity joint venture
- (ii) domestic invested company
- (iii) wholly foreign-owned enterprise

None of the subsidiaries had any loan capital and issued any debt securities subsisting at the end of the year or at any time during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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	
		2022	2021	2022	2021	2022	2021
				RMB'000	RMB'000	RMB'000	RMB'000
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司	PRC	29.68	29.68	209,821	88,110	2,289,269	2,140,788
Effect of put option of shares of a subsidiary granted to non-controlling interests (note 31)	N/A	N/A	N/A	N/A	N/A	(230,000)	(230,000)

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

	2022 RMB'000	2021 RMB'000
Current assets	10,805,939	11,586,851
Non-current assets	8,887,638	6,789,218
Current liabilities	(9,905,190)	(10,141,639)
Non-current liabilities	(2,117,733)	(1,021,532)
Equity attributable to owners of the Company	(5,611,385)	(5,302,110)
Non-controlling interests	(2,289,269)	(2,140,788)
Effect of put option of shares of a subsidiary granted to non-controlling interests (note 31)	230,000	230,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests. – CONTINUED

	<b>Year ended 2022 RMB'000</b>	Year ended 2021 RMB'000
Revenue	<b>10,099,375</b>	9,914,494
Cost of Sales	<b>(7,848,024)</b>	(8,001,365)
Profit and total comprehensive income for the year	<b>706,943</b>	296,866
Profit and total comprehensive income attributable to owners of the Company	<b>497,122</b>	208,756
Profit and total comprehensive income attributable to the non-controlling interests	<b>209,821</b>	88,110
Profit and total comprehensive income for the year	<b>706,943</b>	296,866
Dividend declared and paid to non-controlling interests	<b>67,060</b>	73,625
Net cash inflow from operating activities	<b>784,409</b>	7,100
Net cash outflow from investing activities	<b>(1,749,730)</b>	(2,167,777)
Net cash inflow from financing activities	<b>1,041,291</b>	1,977,081
Net cash inflow (outflow)	<b><u>75,970</u></b>	<b><u>(183,596)</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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:

	<b>31/12/2022</b>	31/12/2021
	<b>RMB'000</b>	RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	<b>565,192</b>	558,476
Amount due from a subsidiary	<b>750,277</b>	668,633
	<b>1,315,469</b>	1,227,109
CURRENT ASSETS		
Financial assets at fair value through profit or loss	<b>65,108</b>	71,286
Other receivables	<b>24</b>	64
Bank balances and cash	<b>2,957</b>	2,680
	<b>68,089</b>	74,030
CURRENT LIABILITIES		
Other payables	<b>9,050</b>	6,717
Bank borrowings	<b>160,722</b>	155,306
	<b>169,772</b>	162,023
NET CURRENT LIABILITIES	<b>(101,683)</b>	(87,993)
NET ASSETS	<b>1,213,786</b>	1,139,116
CAPITAL AND RESERVES		
Share capital	<b>163,218</b>	163,218
Reserves	<b>1,050,568</b>	975,898
TOTAL EQUITY	<b>1,213,786</b>	1,139,116

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 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	Shares held under share-award scheme	Share-based payments reserve	Total
	RMB'000	RMB'000	RMB'000 (note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	158,603	-	266,960	9,700	700,757	(3,540)	3,964	1,136,444
Profit and total comprehensive income for the year	-	-	-	-	119,684	-	-	119,684
Issuance of scrip shares	4,615	76,602	-	-	-	-	-	81,217
Dividend recognised as distribution (note 14)	-	(76,602)	-	-	(126,259)	-	-	(202,861)
Shares vested under the share-award scheme	-	-	-	-	5,976	-	(5,976)	-
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	-	4,632	4,632
At 31 December 2021	163,218	-	266,960	9,700	700,158	(3,540)	2,620	1,139,116
Profit and total comprehensive income for the year	-	-	-	-	271,836	-	-	271,836
Dividend recognised as distribution (note 14)	-	-	-	-	(203,882)	-	-	(203,882)
Shares vested under the share-award scheme	-	-	-	-	5,925	-	(5,925)	-
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	-	6,716	6,716
At 31 December 2022	163,218	-	266,960	9,700	774,037	(3,540)	3,411	1,213,786

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the Year ended 31 December 2022*

## **43. EVENTS AFTER THE REPORTING PERIOD**

On 9 January 2023, Jiaying Jianxin Chenyue, who held equity interests representing approximately 0.44% of the total issued capital of Jiangsu Xingda, entered into an equity transfer agreement with Xingda Xiu Yuan, pursuant to which Xingda Xiu Yuan purchased all the aforesaid equity interests in Jiangsu Xingda held by Jiaying Chenyue (the “Relevant Transfer”) at a consideration of RMB32,480,000, representing full consideration of its 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.

Upon the completion of the Relevant Transfer, obligation arising from repurchases of shares to Jiaying Jianxin Chenyue amounting to RMB32,480,000 is to be derecognised and Xingda Xiu Yuan became a non-controlling interests of the Group.



