



XINGDA INTERNATIONAL HOLDINGS LIMITED 興達國際控股有限公司

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

2020 INTERIM REPORT



CONTENTS

	Page(s)
Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	13
Report on Review of Condensed Consolidated Financial Statements	22
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Condensed Consolidated Statement of Financial Position	24
Condensed Consolidated Statement of Changes in Equity	26
Condensed Consolidated Statement of Cash Flows	28
Notes to the Condensed Consolidated Financial Statements	29

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
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance

INVESTOR RELATIONS

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

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch:

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2020	2019	
	<i>RMB in million</i>	<i>RMB in million</i>	
OPERATING RESULTS			
Revenue	3,181.3	3,769.2	-15.6%
Gross profit	592.6	724.3	-18.2%
EBITDA ⁽¹⁾	498.9	562.1	-11.2%
Profit for the period	153.9	235.5	-34.6%
Profit attributable to owners of the Company	103.8	159.4	-34.9%
Earnings per share – basic (RMB fen)	6.82	10.68	-36.1%
Earnings per share – diluted (RMB fen)	6.78	10.67	-36.5%

	30.6.2020	31.12.2019	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
FINANCIAL POSITION			
Total assets	13,794.3	13,807.4	-0.1%
Total liabilities	6,091.3	6,000.1	+1.5%
Net assets	7,703.0	7,807.3	-1.3%
Equity attributable to owners of the Company	5,557.4	5,661.4	-1.8%

	Six months ended 30 June	
	2020	2019
KEY RATIOS		
Gross profit margin ⁽²⁾	18.6%	19.2%
EBITDA margin ⁽³⁾	15.7%	14.9%
Return on equity ⁽⁴⁾	1.9%	2.9%
	30.6.2020	31.12.2019
Current ratio ⁽⁵⁾	1.11	1.21
Gearing ratio ⁽⁶⁾	20.3%	15.7%
Net debts to equity ratio ⁽⁷⁾	38.8%	29.6%

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited (“Company”) and its subsidiaries (together the “Group” or “Xingda”) are pleased to present the unaudited interim results for the six months ended 30 June 2020.

For the six months ended 30 June 2020, the Group recorded revenue amounting to RMB3,181.3 million, representing a 15.6% year-on-year decrease (first half of 2019: RMB3,769.2 million). Gross profit declined by 18.2% year-on-year to RMB592.6 million (first half of 2019: RMB724.3 million), while gross profit margin also contracted by 0.6 percentage point to 18.6% as compared with the last corresponding period (first half of 2019: 19.2%). Profit attributable to owners of the Company fell by 34.9% year-on-year to RMB103.8 million (first half of 2019: RMB159.4 million). Basic earnings per share was RMB6.82 fen (first half of 2019: 10.68 fen). The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

In the first half of 2020, the outbreak of COVID-19 subsequently spread around the world. All businesses and factories across China suspended operations at the beginning of the year in an effort to fight the pandemic. Correspondingly, all commercial activities were halted temporarily. Impacted by the unstable market conditions and COVID-19, the global economy was inevitably affected. Under such circumstance, the Chinese government responded promptly, launching a series of economic stimulus measures, as well as supportive policies of which included the reduction and exemption of taxes and tariffs and the development of new infrastructure. With these measures in place, the country's economy successfully recovered and achieved a growth in the second quarter of 2020. Consequently, the radial tire cord industry managed to maintain stable development.

With COVID-19 under control in mainland China, the Group resumed operations during mid to late February, after halting production for around four to five weeks at the beginning of the year. Thus, the Group's operating activities, such as manufacturing and sales, returned to normal. During the period, by leveraging its competitive advantages as leader and industry guardian, Xingda quickly resumed operation and production activities, and was able to maintain stable business performance after the resumption of production.

According to data from China Rubber Industry Association, the 38 key member units of its tire division recorded total domestic radial tire output of approximately 197 million in the first half of 2020, representing a year-on-year decrease of 9.9%. As for the radialization rate, it remained stable at 94.3%. The decline of radial tire output was mainly due to the temporary production suspension of the tire manufacturers in China in certain times of February resulting from COVID-19.

BUSINESS REVIEW

In the first half of 2020, Xingda adhered to its operating philosophy of vigilance while preserving its financial strengths. With its competitive advantages as an industry leader and supported by its healthy financial structure and high-quality products, the Group strived to achieve a steady business performance despite the effect from pandemic. In the first half of 2020, the Group recorded total sales volume of 366,100 tonnes, down 9.5% year-on-year. Sales volume of radial tire cords decreased by 13.5% year-on-year to 292,600 tonnes, and accounted for 79.9% of the Group's total sales volume (first half of 2019: 83.6%). Sales volume of bead wire and other wire increased by 10.7% to 73,500 tonnes, and accounted for 20.1% of the Group's total sales volume (first half of 2019: 16.4%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – CONTINUED

During the period, since the Group's total production volume was affected by the temporary operation shut down in February 2020, the Group recorded a drop in sales volume of radial tire cords for both trucks and passenger cars. Sales volume of radial tire cords for trucks declined by 14.1% year-on-year to 186,100 tonnes. Sales volume of radial tire cords for passenger cars fell by 12.4% to 106,500 tonnes. Sales volume of radial tire cords for trucks and passenger cars accounted for 63.6% and 36.4% of total sales volume of the Group's radial tire cords respectively during the period (first half of 2019: 64.0% and 36.0%).

Sales Volume

	Six months ended 30 June		Change
	2020 <i>Tonnes</i>	2019 <i>Tonnes</i>	
Radial tire cords	292,600	338,200	-13.5%
– For trucks	186,100	216,600	-14.1%
– For passenger cars	106,500	121,600	-12.4%
Bead wires and other wires	73,500	66,400	+10.7%
Total	366,100	404,600	-9.5%

In the first half of 2020, the sales volume of the Group's radial tire cords in China declined by 5.1% to 236,400 tonnes (first half of 2019: 249,100 tonnes). Around March 2020, COVID-19 pandemic started to affect the world. Under the circumstances, the production schedule and raw materials procurement plan of overseas tire manufacturers were deferred. As a result, sales of radial tire cords in the overseas markets decreased by 36.9% year-on-year to 56,200 tonnes during the period (first half of 2019: 89,100 tonnes). Sales volume in the domestic and overseas markets constituted 80.8% and 19.2%, respectively, of the Group's total sales volume of radial tire cords (first half of 2019: 73.6% and 26.4%).

As at 30 June 2020, the Group's annual production capacity of radial tire cords increased modestly to 743,000 tonnes, with the Jiangsu and Shandong factories accounting for up to 628,500 tonnes and 103,500 tonnes respectively. In addition, the Group's factory in Thailand has commenced trial production and the annual production capacity of radial tire cords was 11,000 tonnes by the end of the first half of 2020, allowing the Group to diversify geopolitical risks amid trade disputes. For bead wires and other wires, annual production capacity increased to 189,000 tonnes. The Group's overall capacity utilization rate dropped to 79.2% (first half of 2019: 90.2%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – CONTINUED

Sales Volume – Continued

	30 June 2020	Six months ended	30 June 2019	Six months ended
	Production	30 June 2020	Production	30 June 2019
	Capacity	Utilization Rate	Capacity	Utilization Rate
	(Tonnes)		(Tonnes)	
Radial tire cords	743,000	80%	728,000	92%
Bead wires and other wires	189,000	77%	165,000	81%
Overall	932,000	79%	893,000	90%

While continuously expanding its production capacity and business presence, the Group has placed great emphasis on production technology reform. Consequently, the Group is devoted to product research and development so as to offer customized radial tire cords to customers and to meet the needs of different tiers of customers. Currently, the Group provides a wide range of products, including 379 types of radial tire cords and 168 types of bead wires and other wires.

FINANCIAL REVIEW

Revenue

The Group's revenue breakdown by product category is as follows:

<i>RMB in million</i>	Six months ended 30 June		2019	Proportion (%)	Change (%)
	2020	Proportion (%)			
Radial tire cords	2,737.3	86	3,340.2	89	-18.0
– For trucks	1,779.8	56	2,176.1	58	-18.2
– For passenger cars	957.5	30	1,164.1	31	-17.8
Bead wires and other wires	444.0	14	429.0	11	+3.5
Total	3,181.3	100	3,769.2	100	-15.6

During the review period, the Group's revenue declined by 15.6% year-on-year to RMB3,181.3 million (first half of 2019: RMB3,769.2 million), mainly due to lower sales volume of radial tire cords under the effect of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Gross profit and gross profit margin

The Group's gross profit contracted by 18.2% year-on-year to RMB592.6 million (first half of 2019: RMB724.3 million), with gross profit margin at 18.6% (first half of 2019: 19.2%), representing a year-on-year drop of 0.6 percentage point. This was mainly due to higher fixed production costs per tonne under lower utilization rate recorded in the first quarter of 2020.

Other income

Other income increased by 38.4% to RMB71.0 million (first half of 2019: RMB51.3 million), mainly due to the increase of bank interest income which was derived from placing fixed bank deposits and bank balances.

Government grants

During the review period, government grants increased by 10.0% to RMB8.8 million (first half of 2019: RMB8.0 million) due to an increase in recurring subsidies from the local government.

Distribution and selling expenses

Distribution and selling expenses decreased by 16.2% to RMB223.6 million (first half of 2019: RMB266.8 million). The decrease was mainly attributable to a decrease of transportation and storage costs under lower sales volume.

Administrative expenses

Administrative expenses decreased by 10.5% to RMB160.6 million (first half of 2019: RMB179.4 million), mainly attributable to a decrease in salaries and pension provision.

Other gains and losses, net

Other gains and losses, net decreased by RMB14.2 million or 71.7% from net gain of RMB19.8 million in the first half of 2019 to net gain of RMB5.6 million in the first half of 2020. It was mainly due to the decrease in gain on change in fair value of financial assets at fair value through profit or loss.

Impairment loss recognised on trade and other receivables

Impairment loss on trade and other receivables decreased by 84.4% to RMB2.2 million (first half of 2019: RMB14.1 million), mainly attributable to strict trading debts management.

Research and development expenses

Research and development expenses increased by 22.1% to RMB54.6 million (first half of 2019: RMB44.7 million), as the Group kept on putting resources to boost technology advancement on production technique, automation and emission reduction as well as developing more new products to meet the needs of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Finance costs

Finance costs rose by 65.9% to RMB46.3 million (first half of 2019: RMB27.9 million) if the amount capitalised in the cost of qualifying assets of RMB17.5 million (first half of 2019: RMB11.0 million) in the first half of 2020 was excluded. The increase was mainly due to the rise of average balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB8.7 million or 19.0% to RMB54.6 million (first half of 2019: RMB45.9 million) with an effective tax rate of 26.2% (first half of 2019: 16.3%). The increase in income tax expense was mainly caused by the withholding tax on earnings distributed by the Group's PRC subsidiaries amounting to RMB13.8 million and deferred tax charges related to the provision of withholding tax amounting to RMB5.0 million respectively (first half of 2019: nil). If the above total of withholding tax and deferred tax of RMB18.8 million were excluded, the income tax charge would have dropped to RMB35.8 million (first half of 2019: RMB45.9 million) and the effective tax rate would become 17.2% (first half of 2019: 16.3%).

Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2020 decreased by 34.6% to RMB153.9 million (first half of 2019: RMB235.5 million). If the change in fair value of financial assets at fair value through profit or loss, deferred tax charges related to provision of withholding tax from non-operating activities and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the six months ended 30 June 2020 would be RMB158.1 million, representing a decrease of RMB61.9 million or 28.1% when compared with the same period in the previous year.

Reconciliation of report profit and underlying profit

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	153,862	235,541
Change in fair value of financial assets at fair value through profit or loss	(775)	(15,811)
Deferred tax charges related to the provision of withholding tax	5,000	–
Net exchange loss arising from non-operating activities	–	294
	<hr/>	<hr/>
Underlying profit for the period	158,087	220,024
	<hr/> <hr/>	<hr/> <hr/>
Underlying profit for the period attributable to:		
Owners of the Company	107,991	143,888
Non-controlling interests	50,096	76,136
	<hr/>	<hr/>
	158,087	220,024
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the period, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flow generated from operating activities and financial activities whereas the principal uses of cash were for placement of fixed bank deposits and the expansion of production capacity.

Bank balances and cash including bank deposits of the Group increased by RMB151.7 million from RMB497.9 million as at 31 December 2019 to RMB649.6 million as at 30 June 2020. The increase was due to the cash generated from operating activities of RMB402.5 million and from financing activities of RMB561.5 million, exceeding the cash used in investment activities of RMB812.2 million and the decrease in cash under the effect of foreign exchange rate changes of RMB0.1 million.

Borrowings increased by RMB632.5 million or 29.1% to RMB2,805.4 million as at 30 June 2020 from RMB2,172.9 million as at 31 December 2019. The bank borrowings carry interest at market rates from 2.64% to 4.79% (first half of 2019: 2.92% to 5.36%). Borrowings of RMB2,520.4 million are repayable within one year from 30 June 2020 and the remaining borrowings of RMB285.0 million are repayable after one year from 30 June 2020.

As at 30 June 2020, the Group's current assets decreased by 7.1% to RMB6,380.9 million (31 December 2019: RMB6,868.5 million). Current liabilities increased by 0.8% to RMB5,734.2 million (31 December 2019: RMB5,685.9 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.11 times (31 December 2019: 1.21 times). The decrease was mainly caused by the decrease in trade, bill and other receivables and the increase in borrowings – due within one year. The gearing ratio (being defined as total debts to total assets) as at 30 June 2020 was 20.3% (31 December 2019: 15.7%).

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and Euros. Part of the sales proceeds in US dollars and Euros have been used to purchase imported raw materials in the same currencies.

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

CAPITAL EXPENDITURE

For the six months ended 30 June 2020, capital expenditure for property, plant and equipment amounted to RMB185.8 million (first half of 2019: RMB735.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had made a capital commitment of approximately RMB318.4 million (31 December 2019: RMB350.9 million) for acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted as at 30 June 2020 and 31 December 2019.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020 and 31 December 2019 respectively.

PLEDGE OF ASSETS

As at 30 June 2020, the Group had fixed bank deposits of RMB600.0 million (31 December 2019: RMB420.0 million) pledged to banks to secure bank borrowings.

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan (Cayman) Holding Limited (“Prinx Chengshan”, stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK\$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, of approximately HK\$71.4 million was satisfied by the internal resources of the Group. The above mentioned investment still exists and a gain on change in fair value of financial assets at fair value through profit or loss of RMB0.8 million was recorded during the six months ended 30 June 2020 (first half of 2019: gain of RMB15.8 million). Save as disclosed above, the Group had no other significant investments for the six months ended 30 June 2020 and 2019 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 for the six months ended 30 June 2020 and 2019 respectively.

HUMAN RESOURCES

As at 30 June 2020, the Group had approximately 6,700 full time employees (31 December 2019: approximately 7,200). Total staff costs including directors’ remuneration for the six months ended 30 June 2020 was approximately RMB327.7 million (first half of 2019: RMB364.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES – CONTINUED

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Xingda (“Xingda Labour Union”). Each year, Jiangsu Xingda and Shandong Xingda Steel Tyre Cord Co., Ltd. (“Shandong Xingda”) contributes 2% of the total salary of staff (“Union Fee”) to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2020, the amount of Union Fees contributed by Jiangsu Xingda and Shandong Xingda to the Xingda Labour Union was RMB4.3 million (first half of 2019: RMB5.7 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.

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”). As at 30 June 2020, the balance of the Fourth Batch Shares and Fifth Batch Shares were 3,368,000 shares and 3,708,176 shares respectively.

As at 30 June 2020, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and two-third of Fourth Batch Shares have been vested with selected employees. One-third of the Fourth Batch Shares and the Fifth Batch Shares are expected to be vested with selected employees in a four-year period from 2021 to 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In late 2019, the COVID-19 outbreak impacted the economy of China and the global economy. Moreover, the pandemic not only affected economic development around the world, but also introduced uncertainty to the capital market. To alleviate the negative impact of the pandemic on the operating environment, the Chinese government launched a series of stimulus measures. This included new infrastructure projects in 20 provinces and cities across China that will be implemented in the coming five years via investments amounting to of over RMB17 trillion. These measures are set to drive future economic growth amid the challenging times.

To complement the recovery of the domestic economy, China has continued to execute policies aimed at controlling the overcapacity of trucks and accelerating the replacement of such vehicles. Backed by strong support from the country, new infrastructure projects have achieved tremendous progress in various provinces and cities, further stimulating demand for radial tire cords. As a leading producer of such cords, the Group is determined to make continuous improvements even in the face of adversity, adhere to a timely and practical operation approach and seize opportunities that arise from the crisis.

Looking ahead, the Group will continue to closely monitor the pandemic's development and alleviate its negative impact on the Group's operating results and financial position. It will also adjust its strategies based on prevailing market conditions so as to sustain the Group's stable growth. Operating in an unfavorable environment, the Group will push ahead with achieving an international operation layout, place high importance on product quality and develop advanced products in order to maintain a healthy financial structure and create long-term satisfactory returns for the Group and its shareholders.

The epidemic in China had been brought under control steadily since March 2020. GDP recorded 3.2% growth year-on-year in the second quarter, which indicated that the economy had stabilized and was back on course to growth. The recovery will therefore create favorable conditions for local infrastructure and logistics activities in the second half of the year, which in turn will benefit the development of the tire and radial tire industries.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2020.

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

As at 30 June 2020, the interests and short positions of the Directors and chief executives 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 as set out in Appendix 10 of the Listing Rules ("Model Code"), were as follows:

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 30 June 2020 (note 5)
Liu Jinlan	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 1)	658,174,299	42.995%
Liu Xiang	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 2)	658,174,299	42.995%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 3)	658,174,299	42.995%
Zhang Yuxiao	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 4)	658,174,299	42.995%
Koo Fook Sun, Louis	Beneficial owner	369,794	0.024%
William John Sharp	Beneficial owner	316,000	0.021%
Xu Chunhua	Beneficial owner	50,000	0.003%

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' 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 14,000,000 shares in his own name as at 30 June 2020. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the prospectus of the Company dated 8 December 2006 (the "Prospectus")) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2020, Great Trade Limited held 250,148,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
2. Mr. Liu Xiang held 18,132,299 shares in his own name as at 30 June 2020. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2020, In-Plus Limited held 143,614,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
3. Mr. Tao Jinxiang held 5,464,000 shares in his own name as at 30 June 2020. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2020, Perfect Sino Limited held 114,259,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
4. Mr. Zhang Yuxiao held 2,692,000 shares in his own name as at 30 June 2020. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2020, Power Aim Limited held 42,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2020, i.e. 1,530,813,223 shares.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' 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 30 June 2020
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,114	0.000065%

Save as disclosed above, as at 30 June 2020, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2020 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 six months ended 30 June 2020 are set out in note 21 to the condensed consolidated financial statements.

OTHER INFORMATION

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 30 June 2020, the interests and short positions of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained 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 issue share capital of the Company as at 30 June 2020 <i>(note 4)</i>
Great Trade Limited	Beneficial owner	250,148,000	Long position	16.34%
In-Plus Limited	Beneficial owner	143,614,000	Long position	9.38%
Perfect Sino Limited	Beneficial owner	114,259,000	Long position	7.46%
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>	658,174,299	Long position	43.00%
JP Morgan Chase & Co.	Interests of controlled corporations, approved lending agent <i>(note 2)</i>	74,827,368 1,550,447 72,957,068	Long position Short position Lending pool	4.89% 0.10% 4.77%
FIL Limited	Interest of controlled corporation <i>(note 3)</i>	122,229,624	Long position	7.98%
Pandanus Associates Inc.	Interest of controlled corporation <i>(note 3)</i>	122,229,624	Long position	7.98%
Pandanus Partners L.P.	Interest of controlled corporation <i>(note 3)</i>	122,229,624	Long position	7.98%

OTHER INFORMATION

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 22,075,000 shares in his own name as at 30 June 2020. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2020, Wise Creative Limited held 45,065,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.
2. For the purpose of Part XV of the SFO, JP Morgan Chase & Co. was deemed to be interested in the 1,870,300 shares in the Company and short positions in the 1,550,447 shares in the Company which its controlled corporations were interested in as at 30 June 2020. Further, JP Morgan Chase & Co. was also interested in 72,957,068 shares in lending pool.
3. Pandanus Associates Inc. held 100.00% of Pandanus Partners L.P., which in turn owned 36.86% 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 30 June 2020, FIL Investment Management (Singapore) Limited and FIL Investment Management (Hong Kong) Limited held 73,596,624 and 48,320,000 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.
4. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2020, i.e. 1,530,813,223 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executives' 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 30 June 2020 which are required to be recorded in the register maintained under section 336 of the SFO.

OTHER INFORMATION

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 declaration for the six months ended 30 June 2020 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 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.

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 code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020, except for the following:–

Code provision A.2.1 provides, among other things, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure that the Board acts in the best interest of the Company. The Company does not have the position of chief executive officer 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.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES – CONTINUED

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of 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 six months ended 30 June 2020.

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

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 six months ended 30 June 2020.

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 of Hong Kong Limited (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.

OTHER INFORMATION

USE OF PROCEEDS – CONTINUED

Up to 30 June 2020, the Group has utilised approximately HKD699 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus	Actual uses of funds up to 30 June 2020	Balance of net proceeds as at 30 June 2020
	<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	19,304	50,696
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000
Set-up of international development departments	180,000	93,051	86,949
Working capital	37,000	37,000	–
	<u>1,087,000</u>	<u>699,355</u>	<u>387,645</u>
Total	<u>1,087,000</u>	<u>699,355</u>	<u>387,645</u>

The remaining amount of approximately HKD388 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 Prospectus.

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010. As at 30 June 2020, all the net proceeds were utilised for enhancing the production facilities of a non-wholly owned subsidiary of the Company and financing the working capital.

AUDIT COMMITTEE

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

The Audit Committee of the Company together with the external auditor and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2020.

By Order of the Board

XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan

Chairman

Shanghai, the PRC, 21 August 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF XINGDA INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 23 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Revenue	4	3,181,268	3,769,152
Cost of sales		(2,588,642)	(3,044,896)
Gross profit		592,626	724,256
Other income	5	71,039	51,310
Government grants	6	8,839	7,967
Distribution and selling expenses		(223,588)	(266,797)
Administrative expenses		(160,593)	(179,433)
Other gains and losses, net	7	5,648	19,755
Impairment loss recognised on trade and other receivables		(2,208)	(14,118)
Research and development expenditure		(54,587)	(44,677)
Finance costs	8	(28,761)	(16,862)
Profit before tax		208,415	281,401
Income tax expense	9	(54,553)	(45,860)
Profit for the period	10	153,862	235,541
Other comprehensive expense item that can be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(6,448)	–
Total comprehensive income for the period		147,414	235,541
Profit for the period attributable to:			
Owners of the Company		103,766	159,405
Non-controlling interests		50,096	76,136
		153,862	235,541
Total comprehensive income for the period attributable to:			
Owners of the Company		97,488	159,405
Non-controlling interests		49,926	76,136
		147,414	235,541
Earnings per share	12		
– Basic (RMB fen)		6.82	10.68
– Diluted (RMB fen)		6.78	10.67

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,445,548	4,526,709
Right-of-use assets	13	389,352	282,349
Freehold land		74,593	74,593
Investment properties	13	157,040	157,040
Fixed bank deposits with more than three months to maturity when placed		1,700,000	1,430,000
Pledged bank deposits		600,000	420,000
Deferred tax assets		21,406	21,262
Prepayments	14	25,463	26,963
		<u>7,413,402</u>	<u>6,938,916</u>
CURRENT ASSETS			
Inventories		756,447	671,314
Financial assets at fair value through profit or loss		85,448	84,673
Fixed bank deposits with more than three months to maturity when placed		105,196	12,000
Trade, bill and other receivables	15	4,784,215	5,602,557
Bank balances and cash		649,609	497,912
		<u>6,380,915</u>	<u>6,868,456</u>
CURRENT LIABILITIES			
Trade, bill and other payables	16	2,933,019	3,763,194
Contract liabilities	17	8,636	5,880
Amount due to a related company		2,635	3,187
Tax liabilities		39,402	40,115
Dividend payable		204,823	–
Dividend payable to non-controlling interests		24,776	–
Borrowings – due within one year	18	2,520,425	1,872,941
Lease liabilities		461	560
		<u>5,734,177</u>	<u>5,685,877</u>
NET CURRENT ASSETS		<u>646,738</u>	<u>1,182,579</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,060,140</u>	<u>8,121,495</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		17,879	12,952
Borrowings – due after one year	18	285,000	300,000
Lease liabilities		1,147	1,239
Government grants	19	53,109	–
		<u>357,135</u>	<u>314,191</u>
NET ASSETS		<u>7,703,005</u>	<u>7,807,304</u>
CAPITAL AND RESERVES			
Share capital	20	151,728	151,728
Share premium and other reserves		<u>5,405,661</u>	<u>5,509,626</u>
Equity attributable to owners of the company		5,557,389	5,661,354
Non-controlling interests		<u>2,145,616</u>	<u>2,145,950</u>
TOTAL EQUITY		<u>7,703,005</u>	<u>7,807,304</u>

The condensed consolidated financial statements on pages 23 to 48 were approved and authorised for issue by the Board of Directors on 21 August 2020 and are signed on its behalf by:

LIU JINLAN
DIRECTOR

ZHANG YUXIAO
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Share Capital	Share premium	Special reserve	Capital contribution reserve	Statutory common reserve	Capital redemption reserve	Translation reserve	Retained profits	Shares held under share-award scheme	Awarded shares compensation reserve	Total	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 a)	(Note b)	(Note c)								
At 1 January 2019 (audited)	148,388	88,531	285,126	(130,150)	751,483	8,342	-	4,303,563	(12,051)	7,991	5,451,223	2,097,232	7,548,455
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	159,405	-	-	159,405	76,136	235,541
Dividend recognised as distribution (note 11)	-	(88,531)	-	-	-	-	-	(108,546)	-	-	(197,077)	-	(197,077)
Dividend to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(50,260)	(50,260)
Shares vested under the share-award scheme	-	-	-	-	-	-	-	-	8,676	(8,676)	-	-	-
Recognition of equity-settled share based payments (note 21)	-	-	-	-	-	-	-	-	-	1,885	1,885	-	1,885
At 30 June 2019 (unaudited)	148,388	-	285,126	(130,150)	751,483	8,342	-	4,354,422	(3,375)	1,200	5,415,436	2,123,108	7,538,544
At 1 January 2020 (audited)	151,728	-	308,047	(130,150)	798,202	9,700	40,013	4,491,960	(12,437)	4,291	5,661,354	2,145,950	7,807,304
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	103,766	-	-	103,766	50,096	153,862
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(6,278)	-	-	-	(6,278)	(170)	(6,448)
Total comprehensive income for the period	-	-	-	-	-	-	(6,278)	103,766	-	-	97,488	49,926	147,414
Dividend recognised as distribution (note 11)	-	-	-	-	-	-	-	(204,823)	-	-	(204,823)	-	(204,823)
Dividend to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(50,260)	(50,260)
Shares vested under the share-award scheme	-	-	-	-	-	-	-	(2,351)	8,897	(6,546)	-	-	-
Recognition of equity-settled share based payments (note 21)	-	-	-	-	-	-	-	-	-	3,370	3,370	-	3,370
At 30 June 2020 (unaudited)	151,728	-	308,047	(130,150)	798,202	9,700	33,735	4,388,552	(3,540)	1,115	5,557,389	2,145,616	7,703,005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Note a: Special reserve as at 30 June 2020 comprise of RMB285,126,000 which 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; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda") at date of acquisition in prior year; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and the fair value of consideration paid in relation to the acquisition of the equity interest in 2016; and RMB22,921,000 which represents (i) 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") in 2019; (ii) the difference between the net carrying amount of additional 3.77% equity interest in Jiangsu Xingda 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.

Note b: Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.

Note c: According to the Articles of Association of the subsidiaries established in the Peoples' Republic of China, 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (<i>unaudited</i>) RMB'000	2019 (<i>unaudited</i>) RMB'000
OPERATING ACTIVITIES		
Profit before tax	208,415	281,401
Depreciation of property, plant and equipment	257,405	259,958
Depreciation of right-of-use assets	4,298	3,881
Dividend received from financial assets at fair value through profit or loss	(2,177)	(2,516)
Recognition of equity-settled share-based payments	3,370	1,885
(Increase) decrease in inventories	(85,133)	58,845
Decrease in trade, bill and other receivables	807,828	699,585
Change in fair value of financial assets at fair value through profit or loss	(775)	(15,811)
Decrease in trade, bill and other payables	(731,624)	(586,792)
Increase in contract liabilities	2,756	5,679
Income taxes paid	(50,483)	(55,005)
Other operating cash flows	(11,367)	9,919
	<u>402,513</u>	<u>661,029</u>
NET CASH FROM OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Placement of fixed bank deposits	(375,196)	(1,212,000)
Purchases of property, plant and equipment	(266,740)	(514,002)
Placement of pledged bank deposits	(180,000)	–
Payments for right-of-use assets	(60,953)	(21,239)
Receipt of government grants related to property, plant and equipment	53,109	–
Withdrawal of fixed bank deposits	12,000	500,000
Dividend received from financial assets at fair value through profit or loss	2,177	2,516
Interest received	2,037	56,196
Proceeds on disposal of property, plant and equipment	1,380	1,052
Withdrawal of pledged bank deposits	–	52,000
	<u>(812,186)</u>	<u>(1,135,477)</u>
NET CASH USED IN INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
New bank and other borrowings raised	1,590,630	1,530,010
Repayments of bank and other borrowings	(958,146)	(500,620)
Interest paid	(45,306)	(28,519)
Dividend paid to non-controlling interests of a subsidiary	(25,484)	(50,679)
Repayment of lease liabilities	(222)	(108)
	<u>561,472</u>	<u>950,084</u>
NET CASH FROM FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	151,799	475,636
CASH AND CASH EQUIVALENTS AT 1 JANUARY		
Effect of foreign exchange rate changes	(102)	205
	<u>497,912</u>	<u>1,104,447</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		
	<u><u>649,609</u></u>	<u><u>1,580,288</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses 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 business of the Company is Xinghua City, Jiangsu Province, the People's Republic of China (the "PRC").

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group has delayed the resumption of its manufacturing activities after Chinese New Year Holiday to late February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and production volumes and a decline in gross profit margin due to higher fixed production overheads incurred during the close down period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which is measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and, the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendment to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts of application on Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. REVENUE AND SEGMENT INFORMATION

Revenue

(a) *Disaggregation of revenue*

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

	Six months ended	
	30 June 2020 (Unaudited) RMB'000	30 June 2019 <i>(Unaudited)</i> <i>RMB'000</i>
Sale of products		
Radial Tire Cords		
– For trucks	1,779,817	2,176,090
– For passenger cars	957,490	1,164,123
Bead wires and other wires	443,961	428,939
	<u>3,181,268</u>	<u>3,769,152</u>
Timing of revenue recognition		
A point in time	<u>3,181,268</u>	<u>3,769,152</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information

The directors of the Company (the “Directors”), 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 or other discrete financial information is available for the assessment of performance of the respective types of products. The Directors 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, fixed bank deposits with more than three months to maturity when placed and pledged bank deposits) by geographical locations of the assets are details below:

	30.6.2020 (unaudited) RMB'000	31.12.2019 <i>(audited)</i> <i>RMB'000</i>
The PRC	4,034,482	3,979,241
Thailand	1,057,514	1,088,413
	<u>5,091,996</u>	<u>5,067,654</u>

Geographical information

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

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 <i>(unaudited)</i> <i>RMB'000</i>
The PRC (country of domicile)	2,542,756	2,733,714
Thailand	124,333	127,937
India	90,642	190,098
United States of America	48,314	137,357
Korea	45,131	95,974
Germany	28,254	46,471
Others	301,838	437,601
	<u>3,181,268</u>	<u>3,769,152</u>

“Others” included revenue from various countries which are individually less than 10% of the Group’s total revenue.

No customers contributes over 10% of the total revenue of the Group for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of scrap materials	15,966	15,592
Interest income earned on bank balances and bank deposits	44,595	25,605
Rental income from investment properties, net	2,540	2,472
Dividend income from financial assets at fair value through profit or loss	2,177	2,516
Sundry income	5,761	5,125
	71,039	51,310

6. GOVERNMENT GRANTS

Government grants represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products during the six months ended 30 June 2020 and 2019. For government grants received in the current period with no future related cost or without any conditions, amounting to approximately RMB8,839,000 (for the six months ended 30 June 2019: RMB7,967,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2020	2019
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Change in fair value of financial assets at fair value through profit or loss	(775)	(15,811)
Net foreign exchange gain	(6,184)	(5,897)
Loss on disposal of property, plant and equipment	1,311	1,953
	<u>(5,648)</u>	<u>(19,755)</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Interests on:		
Bank loans and other borrowings	44,617	26,169
Bills receivable discounted	1,643	1,674
Finance cost in lease liabilities	31	38
	<u>46,291</u>	<u>27,881</u>
Less: amount capitalised in the cost of qualifying assets	(17,530)	(11,019)
	<u>28,761</u>	<u>16,862</u>

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.92% (for the six months ended 30 June 2019: 2.92%) per annum to expenditure on qualifying assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
Current period	35,962	42,543
Withholding tax paid	13,808	–
Deferred tax	4,783	3,317
	54,553	45,860

Current tax provision represents provision for PRC Enterprise Income tax ("PRC EIT") which is calculated at the 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 Regulation of EIT Law, the tax rate for certain PRC subsidiaries is 25% from 1 January 2008 onwards, except for the subsidiary described below.

In accordance with the renewed High-tech Enterprise Certificate issued on 24 October 2018, Jiangxu Xingda is continued to entitle the tax incentive as High-tech Enterprise and accordingly, the status of High-tech Enterprise is to be effective for the years 2018, 2019 and 2020. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax for the six months ended 30 June 2020 and 2019.

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 periods.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	257,405	259,958
Depreciation of right-of-use assets	<u>4,298</u>	<u>3,881</u>

11. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Dividend for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend in respect of the year ended 31 December 2019 – 15.0 HK cents per share (2019: final dividend in respect of the year ended 31 December 2018 – 15.0 HK cents per share)	<u>204,823</u>	<u>197,077</u>

During the current interim period, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB204,823,000 for the year ended 31 December 2019 was approved at the annual general meeting of the Company held on 17 June 2020.

The Directors have determined that no dividend will be paid in respect of the 2020 interim period (2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. 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:

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Earnings		
Profit for the period attributable to owners of the Company	<u>103,766</u>	<u>159,405</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,522,044	1,492,531
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>8,522</u>	<u>1,346</u>
Weighted-average number of ordinary shares for the purpose of dilutive earnings per share	<u>1,530,566</u>	<u>1,493,877</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 21.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately RMB2,691,000 (for the six months ended 30 June 2019: RMB3,005,000) for cash proceeds of approximately RMB1,380,000 (for the six months ended 30 June 2019: RMB1,052,000), resulting in a loss on disposal of RMB1,311,000 (for the six months ended 30 June 2019: RMB1,953,000).

In addition, during the period the Group spent approximately RMB185,800,000 (for the six months ended 30 June 2019: RMB735,901,000) on the construction of its manufacturing plant in Thailand and the PRC and the acquisition of other plant, machinery and equipment in order to upgrade its manufacturing capabilities in the PRC. Borrowing costs of RMB17,530,000 has been capitalised in these carrying amounts during the period ended 30 June 2020 (for the six months ended 30 June 2019: RMB11,019,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES – CONTINUED

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 40 to 50 years. On lease commencement, the Group recognise right-of-use assets of RMB111,301,000 (for the six months ended 30 June 2019: nil).

The fair value of the Group's investment properties as at 31 December 2019 has been arrived at on the basis of a valuation carried out on 31 December 2019 by Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group.

The fair value of investment properties at 30 June 2020 were assessed by the directors of the Company. In the opinion of the directors of the Company, the aggregate carrying amounts of the Group's investment properties in Shanghai, the PRC which are determined by adopting the investment approach and the direct comparison approach, as at the current interim period that are carried at revalued amounts does not differ significantly from their estimated fair value.

The fair value of the Group's investment properties was determined based on the investment approach, where the rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties and, where appropriate, by referencing to the sales of properties with the benefit of vacant possession taking into account the comparable evidence as available in the relevant market. The rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Shanghai and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key inputs used in valuing the investment properties were the market yield 5% and rental. Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

The fair value of the Group's investment properties at 30 June 2020 was assessed by the Directors based on the investment approach. In the opinion of the Directors, the carrying amount of the Group's investment properties as at the end of the current interim period does not differ significantly from their estimated fair value. Consequently, no gain or loss on fair value changes has been recognised in the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES – CONTINUED

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 3 RMB'000
Office premises located in Shanghai	<u>157,040</u>

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

14. PREPAYMENTS

The amounts represents the prepayment of road maintenance and management fee of approximately RMB28,463,000 (31 December 2019: RMB29,963,000) for a period of 9.49 (31 December 2019: 9.99) years. As at 30 June 2020, an amount of RMB3,000,000 (31 December 2019: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as an expenses within twelve months after the reporting date while the remaining RMB25,463,000 (31 December 2019: RMB26,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. TRADE, BILL AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers. The Group accepts bills from various local customers as settlement when the trade receivables fall due. Before accepting the bills, the Group would confirm with the relevant banks on the validity of the bills. It is the Group's practice to utilise bills received to settle certain of its debts.

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Trade receivables – goods	2,360,376	2,578,386
Less: Allowance for credit losses	(136,026)	(135,768)
	2,224,350	2,442,618
Bill receivables	2,289,980	2,974,538
Less: Allowance for credit losses	(1,950)	–
	2,288,030	2,974,538
	4,512,380	5,417,156
Advances to raw material suppliers	113,738	15,289
Prepayment for spools	11,157	12,251
Interest receivables from fixed bank deposits with more than three months to maturity when placed	87,550	44,992
Deposits for acquiring land use rights	–	50,346
Value-add tax receivable	39,484	42,601
Other receivables and prepayments	25,168	25,184
Less: Allowance for credit losses on other receivables	(5,262)	(5,262)
	271,835	185,401
	4,784,215	5,602,557

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. TRADE, BILL AND OTHER RECEIVABLES – CONTINUED

The following is an aged analysis of trade and bill receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period.

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Trade receivables		
0 – 90 days	1,725,089	1,802,754
91 – 120 days	246,883	229,645
121 – 180 days	156,426	260,119
181 – 360 days	95,952	150,100
	<u>2,224,350</u>	<u>2,442,618</u>
Bill receivables		
0 – 90 days	436,094	362,678
91 – 180 days	738,799	1,036,660
181 – 360 days	1,102,797	1,418,944
Over 360 days	10,340	156,256
	<u>2,288,030</u>	<u>2,974,538</u>

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and expected credit loss for trade receivables which are assessed collectively based on provision matrix at 30 June 2020.

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

During the current interim period, the Group recognised additional allowance for credit losses of RMB3,082,000 (for the six months ended 30 June 2019: RMB2,877,000) based on the provision matrix. In addition, certain debtors were assessed individually and allowance for credit losses of nil (for the six months ended 30 June 2019: RMB12,646,000) was made on these debtors for the current interim period.

There is a reversal of allowance for credit losses amounted to RMB2,824,000 (for the six months ended 30 June 2019: RMB1,405,000) on those trade debtors being recovered for the six months ended 30 June 2020.

During the current interim period, the Group recognised an allowance for credit losses of RMB1,950,000 (for the six months ended 30 June 2019: Nil) on bill receivables due to the unrecoverable of certain bill receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. TRADE, BILL AND OTHER PAYABLES

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Trade payables	1,336,982	2,151,758
Bill payables	806,000	662,000
	2,142,982	2,813,758
Value-added tax payables and other tax payables	12,945	34,912
Accrued staff costs and pension	169,818	225,469
Payables for purchase of property, plant and equipment	488,684	587,105
Accrued interest expense	3,884	2,930
Accrued electricity charges	52,738	55,400
Accrued sewage expenses	18,287	12,941
Others	43,681	30,679
	790,037	949,436
	2,933,019	3,763,194

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. TRADE, BILL AND OTHER PAYABLES – CONTINUED

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

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Trade payables		
0 – 90 days	554,115	1,501,132
91 – 180 days	194,230	277,044
181 – 360 days	421,700	286,656
Over 360 days	166,937	86,926
	<u>1,336,982</u>	<u>2,151,758</u>
Bill payables		
0 – 90 days	770,000	351,230
91 – 180 days	–	248,770
181 – 360 days	36,000	62,000
	<u>806,000</u>	<u>662,000</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 between the suppliers and the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. CONTRACT LIABILITIES

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Sales of radial tire cords	<u>8,636</u>	<u>5,880</u>

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.

18. BORROWINGS

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Bank loans	2,778,656	2,045,941
Other loans	<u>26,769</u>	<u>127,000</u>
	<u>2,805,425</u>	<u>2,172,941</u>
Secured	969,952	993,952
Unsecured	<u>1,835,473</u>	<u>1,178,989</u>
	<u>2,805,425</u>	<u>2,172,941</u>

During the current period, new other loan of RMB25,269,000 was borrowed (for the six months ended 30 June 2019: RMB27,500,000) from a financial institute in Xinghua City, the PRC, an independent third party. The other loans are unsecured, carried interest at a fixed monthly rate of 0.542% (2019: 0.326%) and are repayable in one year. The proceeds were used as working capital. Other loans of RMB125,500,000 (for the six months ended 30 June 2019: RMB52,500,000) were repaid during the period ended 30 June 2020.

During the current period, the Group obtained new bank loans amounting to RMB1,565,361,000 (for the six months ended 30 June 2019: RMB1,502,510,000). The loans carry interest at market rates. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB832,646,000 (for the six months ended 30 June 2019: RMB448,120,000) during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. BORROWINGS – CONTINUED

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

	30 June 2020	31 December 2019
Effective interest rates:		
Fixed-rate borrowings	2.92% – 4.79%	2.92% – 5.20%
Variable-rate borrowings	2.64% – 4.45%	3.91% – 4.61%

The Company has given corporate guarantee to a bank to obtain certain of the above bank borrowings.

19. GOVERNMENT GRANTS

During the current interim period, the Group obtained an approval from the local government in the PRC and received RMB53,109,000 as the government grants to be used for a technological advancement project which is not expected to be completed in 2020. Therefore, the amount was recorded as non-current liabilities as at 30 June 2020.

20. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2020 '000	31 December 2019 '000	30 June 2020 RMB'000	31 December 2019 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 period	1,530,813	1,492,531	151,728	148,388
Issue of scrip shares	–	53,395	–	4,698
Shares repurchased and cancelled	–	(15,113)	–	(1,358)
At end of period	<u>1,530,813</u>	<u>1,530,813</u>	<u>151,728</u>	<u>151,728</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. 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.

The following table discloses movement in the number of awarded shares outstanding during the current interim period as follows:

	Number of shares		
	Awarded share granted in 2016 (Note 1)	Awarded share granted in 2019 (Note 2)	Total
Outstanding as at 1 January 2020	6,666,666	10,000,000	16,666,666
Vested during the period	(3,333,334)	–	(3,333,334)
Outstanding as at 30 June 2020	<u>3,333,332</u>	<u>10,000,000</u>	<u>13,333,332</u>

Note 1: The awarded shares granted in 2016 would be vested in tranches of approximately 3,333,334 and 3,333,332 shares annually over the remaining two vesting period in 2020 and 2021.

Note 2: The awarded shares granted in 2019 would be vested in tranches annually over a period of three years from 2022 to 2024.

The Group recognised the total expenses of approximately RMB3,370,000 for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB1,885,000) in relation to shares granted under the Scheme by the Company.

22. CAPITAL COMMITMENTS

	As at 30 June 2020 (unaudited) RMB'000	As at 31 December 2019 (audited) RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>318,444</u>	<u>350,907</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS

During the period, the Group entered into significant transactions with a related party as follows:

Name of related party	Nature of transaction	Note	Six months ended 30 June	
			2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Services fee for hotel and catering services	(a)	<u>2,669</u>	<u>1,741</u>

Note:

- (a) Xingda Xiu Yuan is a limited company whose legal representative and general manager is a close family member of the chairman of the Group.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Short-term benefits	15,914	20,336
Post-employment benefit	26	38
Share-based payments	<u>2,934</u>	<u>1,617</u>
	<u>18,874</u>	<u>21,991</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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

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

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

Financial assets

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)			
Financial assets at fair value through profit or loss	85,448	84,673	Level 1	Quoted price in	N/A

Note: There were no transfers between level 1 to level 2 during the six months ended 30 June 2020.