



2021

INTERIM REPORT



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

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

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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

INVESTOR RELATIONS

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Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE

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Putuo District

Shanghai 200062

China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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:

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Grand Cayman, KY1-1100

Cayman Islands

Hong Kong Branch:

Boardroom Share Registrars (HK) Limited

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STOCK CODE

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WEBSITE

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

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2021	2020	
	<i>RMB in million</i>	(restated) <i>RMB in million</i>	
OPERATING RESULTS			
Revenue	5,275.2	3,233.9	+63.1%
Gross profit	1,071.9	621.8	+72.4%
EBITDA ⁽¹⁾	716.0	548.9	+30.4%
Profit for the period	299.2	196.4	+52.3%
Profit attributable to owners of the Company	214.0	134.8	+58.7%
Earnings per share – basic (RMB cents)	13.37	8.86	+50.9%
Earnings per share – diluted (RMB cents)	13.30	8.81	+51.0%

	30.6.2021	31.12.2020	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
FINANCIAL POSITION			
Total assets	18,010.3	15,694.8	+14.8%
Total liabilities	10,468.4	8,115.8	+29.0%
Net assets	7,541.9	7,579.0	-0.5%
Equity attributable to owners of the Company	5,627.2	5,657.6	-0.5%

	Six months ended 30 June	
	2021	2020
		(restated)
KEY RATIOS		
Gross profit margin ⁽²⁾	20.3%	19.2%
EBITDA margin ⁽³⁾	13.6%	17.0%
Return on equity ⁽⁴⁾	3.8%	2.4%
	30.6.2021	31.12.2020
Current ratio ⁽⁵⁾	1.15	1.11
Gearing ratio ⁽⁶⁾	25.2%	22.9%
Net debts to equity ratio ⁽⁷⁾	65.7%	47.4%

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

MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” or “Xingda”) are pleased to present the unaudited interim results of the Group for the six months ended 30 June 2021.

For the six months ended 30 June 2021, the Group recorded revenue of RMB5,275.2 million, representing a year-on-year increase of 63.1% (first half of 2020: RMB3,233.9 million (restated)). Gross profit rose by 72.4% year-on-year to RMB1,071.9 million (first half of 2020: RMB621.8 million (restated)) and gross profit margin also climbed, by 1.1 percentage points, against the same period last year to 20.3% (first half of 2020: 19.2% (restated)). Profit attributable to owners of the Company grew by 58.7% year-on-year to RMB214.0 million (first half of 2020: RMB134.8 million (restated)). Basic earnings per share was RMB13.37 cents (first half of 2020: RMB8.86 cents (restated)). The Board did not recommend payment of interim dividend for the six months ended 30 June 2021.

In the first half of 2021, although there was no simple answer to where the pandemic would head, major economies had started on the recovery path and the Chinese economy in particular demonstrated resilience. In the first half year, China’s GDP was up 12.7% year-on-year, with real GDP growth reaching 18.3% and 7.9% in the first and second quarters, respectively. With China’s economy continuing to recover since the second quarter of 2020, translating into strong domestic demand and an improving operating environment, the radial tire cord industry kept growing with good momentum during the period.

In addition, at the end of November 2020, the China Rubber Industry Association released the “Outline of the 14th Five-Year Plan for Rubber Industry”, which covers important development indicators for the 14 industries in the rubber industry chain. It also announced the product output and development targets in the 14th Five-Year Plan period, including raising the radialization rate to 96%, planned annual radial tire output for passenger cars to 527 million and planned annual radial tire output for trucks to 148 million by 2025. These guidelines will drive continuous positive development of the industry as well as steady development of the Group’s radial tire cord business.

According to data from the key members of China Rubber Industry Association’s tire division, total domestic radial tire output was approximately 250 million in the first half of 2021 (first half of 2020: 197 million), representing a year-on-year increase of 26.9%. As for the radialization rate, it remained stable at 94.3%. Statistics of the Ministry of Public Security showed, as in June 2021, car parc in China reached 292 million, topping the world side-by-side the US. The continuous expansion of car parc has given strong support to China’s radial tire replacement market.

On 18 June 2021, the Group announced a scrip dividend scheme (“Scrip Dividend Scheme”). Shareholders of the Company were being given an option to receive an allotment of new shares of HK\$0.1 each in the capital of the Company (the “Scrip Shares”) in lieu of the 2020 final dividend of HK15.0 cents in cash. The issue price of the scrip shares was HK\$1.76 per share. The controlling shareholders of the Company elected to receive the 2020 final dividends partly in scrip shares and partly in cash, and were eventually allotted a total of 7,000,000 scrip shares of the Company. The controlling shareholders continuously electing to receive scrip shares is a reflection of their full confidence in the Company’s long-term development.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2021, though still volatile, the global and Chinese economies continued to recover, with the production in terms of output gradually returning close to pre-pandemic level. With major economies bottoming out and rebounding, market demand growth for radial tire cords was back on track. During the Period, the Group's total sales volume increased by 50.6% year-on-year to 554,200 tonnes, and radial tire cords sales volume was up 48.4% to 439,200 tonnes, making up 79.2% of the Group's total sales volume (first half of 2020: 80.4% (restated)), as for bead wires, sales volume increased by 67.0% to 69,800 tonnes, accounting for 12.6% of the Group's total sales volume (first half of 2020: 11.4% (restated)). The sales volume of hose wires and other wires increased by 49.2% to 45,200 tonnes, making up 8.2% of the Group's total sales volume (first half of 2020: 8.2% (restated)).

During the Period, the mainland and overseas economies recovering and consistently high car parc fueled growth in sales volume of radial tire cords for trucks as well as passenger cars. The former increased by 43.8% year-on-year to 266,800 tonnes, whereas the latter rose 56.3% to 172,400 tonnes. The sales volume of radial tire cords for trucks and passenger cars accounted for 60.7% and 39.3%, respectively, of all radial tire cords sold by the Group (first half of 2020: 62.7% and 37.3% (restated)).

Sales Volume

	Six months ended 30 June		Change
	2021 <i>Tonnes</i>	2020 <i>Tonnes</i> (Restated)	
Radial tire cords	439,200	295,900	+48.4%
– For trucks	266,800	185,600	+43.8%
– For passenger cars	172,400	110,300	+56.3%
Bead wires	69,800	41,800	+67.0%
Hose wires and other wires	45,200	30,300	+49.2%
Total	554,200	368,000	+50.6%

In the China market, the sales volume of radial tire cords has extended the growth momentum since the second half in 2020, hence 319,100 tonnes of them were sold in the Period, up 36.4% (first half of 2020: 233,900 tonnes (restated)). As for overseas markets, there was steady improvement, with sales volume of radial tire cords up 93.7% to 120,100 tonnes (first half of 2020: 62,000 tonnes (restated)), mainly due to the production of most of the overseas tire manufacturers returning back to the normal levels in the first half of 2021. Domestic and overseas markets accounted for 72.7% and 27.3%, respectively, of the total sales volume of radial tire cords (first half of 2020: 79.0% and 21.0% (restated)).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – CONTINUED

Sales Volume – Continued

As at 30 June 2021, annual production capacity of the Group's radial tire cords increased to 930,200 tonnes, with the Jiangsu, Shandong, and Thailand plants accounting for 731,800 tonnes, 144,000 tonnes and 54,400 tonnes, respectively. For bead wires, hose wires and other wires, their annual output capacity increased to 154,600 and 98,200 tonnes respectively. Overall factory utilization rate rebounded to 96.3% high (first half of 2020: 79.2%).

	30 June 2021	Six months ended	30 June 2020	Six months ended
	Production	30 June 2021	Production	30 June 2020
	Capacity	Utilization Rate	Capacity	Utilization Rate
	(Tonnes)		(Tonnes)	
Radial tire cords	930,200	97%	743,000	80%
Bead wires	154,600	92%	107,000	80%
Hose wires and other wires	98,200	95%	82,000	74%
Overall	1,183,000	96%	932,000	79%

At the same time as it expands production capacity and its business footprint, the Group has also emphasized innovation of product technologies, and thus it never stopped pursuing product research and development, striving to provide customers with tailor-made radial tire cords to meet their various needs. To provide greater product diversity for customers, Xingda developed 17 new types of radial tire cords, 1 new type of bead wires and 7 types of hose wires and other wires in this Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

<i>RMB in million</i>	Six months ended 30 June		2020 (Restated)	Proportion (%) (Restated)	Change (%)
	2021	Proportion (%)			
Radial tire cords	4,473.5	85	2,797.7	87	+59.9
– For trucks	2,817.5	54	1,791.5	56	+57.3
– For passenger cars	1,656.0	31	1,006.2	31	+64.6
Bead wires	448.3	8	227.3	7	+97.2
Hose wires and other wires	353.4	7	208.9	6	+69.2
Total	<u>5,275.2</u>	<u>100</u>	<u>3,233.9</u>	<u>100</u>	+63.1

During the Period, the Group's revenue increased by RMB2,041.3 million or 63.1% year-on-year to RMB5,275.2 million (first half of 2020: RMB3,233.9 million (restated)), mainly due to the increase in sales volume of the Group's products. Such increase in sales volume was driven by economic recovery and activities in China and overseas due to the gradual alleviation of the pandemic when compared to the first half of 2020.

Gross profit and gross profit margin

The Group's gross profit increased by RMB450.1 million or 72.4% year-on-year to RMB1,071.9 million (first half of 2020: RMB621.8 million (restated)), with gross profit margin at 20.3% (first half of 2020: 19.2% (restated)), representing a year-on-year increase of 1.1 percentage points. That was mainly due to the rise in sales volumes and average selling prices of the Group's products, partly offset by an increase in major raw material prices.

Other income

Other income increased by RMB23.9 million or 33.7% to RMB94.9 million (first half of 2020: RMB71.0 million), mainly due to the increase in sales income of scrap materials and increase of bank interest income which was derived from placing fixed bank deposits and bank balances.

Government grants

During the review period, government grants decreased by RMB2.9 million or 33.0% to RMB5.9 million (first half of 2020: RMB8.8 million), due to a decrease in subsidies from the local government in China.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Distribution and selling expenses

Distribution and selling expenses increased by RMB196.4 million or 95.9% to RMB401.1 million (first half of 2020: RMB204.7 million (restated)), mainly due to the higher transportation and storage costs under higher export sales volume and inflated shipment fees on a year-on-year basis.

Administrative expenses

Administrative expenses increased by RMB43.9 million or 27.3% to RMB204.5 million (first half of 2020: RMB160.6 million), mainly due to an increase in salaries and pension provision. There was a special incentive and relief on pension contributions provided to the Group in the first half of 2020 under the COVID-19 pandemic.

Other gains and losses, net

Other gains and losses, net decreased by RMB66.5 million or 1,187.5% from net gain of RMB5.6 million in the first half of 2020 to net loss of RMB60.9 million in the first half of 2021. It was mainly due to the net foreign exchange loss of RMB48.3 million recorded in first half of 2021 (first half of 2020: net foreign exchange gain of RMB6.2 million) and a decrease in fair value of financial assets at FVTPL.

Impairment loss recognised on trade and other receivables

Impairment loss recognised under expected credit loss model, net of reversal increased by RMB6.0 million or 3,000.0% to an impairment loss of RMB6.2 million (first half of 2020: impairment loss of RMB0.2 million (restated)). It was mainly attributable to an increase in an accumulated impairment loss recognised on trade receivables under impairment assessment by reference to the expected credit loss model in this Period.

Research and development expenses

Research and development expenses increased by RMB1.9 million or 3.5% to RMB56.5 million (first half of 2020: RMB54.6 million), as the Group kept on putting consistent and stable resources to boost production technique advancement.

Finance costs

Finance costs increased by RMB28.7 million or 62.0% to RMB75.0 million (first half of 2020: RMB46.3 million) if the amount capitalised in the cost of qualifying assets of RMB17.5 million in the first half of 2020 (first half of 2021: nil) was excluded. The increase was mainly due to the rise of average balance of bank borrowings and imputed interest on obligations arising from repurchase of shares of RMB8.6 million recorded in this Period.

Income tax expense

The Group's income tax expense increased by RMB7.3 million or 11.8% to RMB69.4 million (first half of 2020: RMB62.1 million (restated)) and with an effective tax rate of 18.8% (first half of 2020: 24.0% (restated)). If the withholding tax paid was excluded, the effective tax rate would become 14.0% (first half of 2020: 18.7% (restated)). The decrease in effective tax rate was mainly caused by additional income tax deduction for research and development expenditure in the first half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2021 increased by RMB102.8 million or 52.3% to RMB299.2 million (first half of 2020: RMB196.4 million (restated)).

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

Bank balances and cash including bank deposits of the Group decreased by RMB70.3 million or 7.7% from RMB912.0 million as at 31 December 2020 to RMB841.7 million as at 30 June 2021. The decrease was mainly due to the cash that has been used in operating activities of RMB230.2 million, investment activities of RMB629.4 million and the decrease in cash under the effect of foreign exchange rate changes of RMB8.0 million exceeding the cash generated from financing activities of RMB797.3 million.

Borrowings increased by RMB945.7 million or 26.3% to RMB4,539.9 million as at 30 June 2021 from RMB3,594.2 million as at 31 December 2020. The bank borrowings carry interest at fixed rates from 2.70% to 4.56% (first half of 2020: 2.70% to 4.79%) and variable rate at HIBOR+2.2% (first half of 2020: HIBOR+2.2%). Borrowings of RMB4,054.9 million are repayable within one year from 30 June 2021 and the remaining borrowings of RMB485.0 million are repayable after one year from 30 June 2021.

As at 30 June 2021, the Group's current assets increased by RMB2,975.1 million or 37.5% to RMB10,907.9 million (31 December 2020: RMB7,932.8 million). Current liabilities increased by RMB2,368.4 million or 33.3% to RMB9,490.2 million (31 December 2020: RMB7,121.8 million). The Group's current ratio (being defined as current assets over current liabilities) increased to 1.15 times (31 December 2020: 1.11 times). The increase was mainly caused by the increase in trade, bill and other receivables and term deposits included in the current assets. The gearing ratio (being defined as total debts to total assets) as at 30 June 2021 was 25.2% (31 December 2020: 22.9%).

FOREIGN EXCHANGE RISK

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

For the six months ended 30 June 2021, capital expenditure for property, plant and equipment amounted to RMB592.0 million (first half of 2020: RMB185.8 million).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had made a capital commitment of approximately RMB507.1 million (31 December 2020: RMB594.8 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 2021 and 31 December 2020. The capital commitment is expected to be met by the internal resources of the Group and borrowings.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2021 and 31 December 2020 respectively.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had fixed bank deposits of RMB1,334.8 million (31 December 2020: RMB801.7 million) and bills receivable of RMB22,232,000 (31 December 2020: trade receivables of RMB1,700,000) 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 Holdings Limited (formerly known as Prinx Chengshan (Cayman) Holding Limited) ("Prinx Chengshan", stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK\$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK\$71.4 million. The shares held by Xingda accounted for 1.9% and 1.9% of the entire issued shares of Prinx Chengshan as at 30 June 2021 and 31 December 2020 respectively. Prinx Chengshan is a modern enterprise focusing on the research and development, manufacturing, sales of tires and the provision of tire full-life-cycle services, and a leading domestic manufacturer in the PRC's commercial all steel radial tire replacement market. The above mentioned investment still exists and a gain on change in fair value of financial assets at fair value through profit or loss of RMB2.4 million was recorded during the six months ended 30 June 2021 (first half of 2020: gain of RMB0.8 million).

The fair value of the investment in Prinx Chengshan as at 30 June 2021 was RMB86.8 million (31 December 2020: RMB84.4 million). The above mentioned investment accounted for 0.5% and 0.5% of the total assets value of the Group as at 30 June 2021 and 31 December 2020 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS – CONTINUED

On 4 March 2021, an agreement was reached between Jiangsu Xingda, an indirect non-wholly owned subsidiary of the Company, and Guizhou Tyre Co., Ltd. (“Guizhou Tyre”) for the subscription by Jiangsu Xingda of 15,873,015 new A shares issued by Guizhou Tyre at RMB6.30 per share in cash under a non-public offer. The subscription monies of approximately RMB100.0 million were satisfied by internal resources of the Group. The shares held by Xingda accounted for 1.7% of the entire issued shares of Guizhou Tyre as at 30 June 2021. Guizhou Tyre is a joint stock limited company incorporated in the PRC principally engaged in the design, research and development, manufacture and sale of tires. The issued A shares of Guizhou Tyre are listed on the Shenzhen Stock Exchange (stock code: 000589). The above mentioned investment still exists and a loss on change in fair value of financial assets at fair value through profit or loss of RMB10.6 million was recorded during the six months ended 30 June 2021 (first half of 2020: nil).

The fair value of the investment in Guizhou Tyre as at 30 June 2021 was RMB89.4 million (31 December 2020: nil). The above mentioned investment accounted for 0.05% and nil of the total assets value of the Group as at 30 June 2021 and 31 December 2020 respectively.

Save as disclosed above, the Group had no other significant investments as at 30 June 2021 and 31 December 2020 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the six months ended 30 June 2021 and 2020 respectively.

PRIOR PERIOD ADJUSTMENTS

Reference is made to (a) the announcement of the Company dated 15 April 2021 in relation to the annual results of the Company for the year ended 31 December 2020 (the “2020 Annual Results Announcement”), (b) the annual report of the Company for the year ended 31 December 2020 (the “2020 Annual Report”) and (c) the supplemental announcement of the Company dated 23 June 2021 (the “Supplemental Announcement”) in relation to 2020 Annual Results Announcement and the 2020 Annual Report on, among others, the Prior Year Adjustments (as referred to in the Supplemental Announcement).

There have been corresponding prior period adjustments on similar items for the six months ended 30 June 2020 which are set out in Note 1.1 to the condensed consolidated financial statements of the Company for the six months ended 30 June 2021 (“Prior Period Adjustments”).

For background leading to the Prior Period Adjustments, please refer to the Supplemental Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 30 June 2021, the Group had approximately 7,900 full time employees (31 December 2020: approximately 7,100). Total staff costs including directors' remuneration for the six months ended 30 June 2020 was RMB423.9 million (first half of 2020: RMB293.2 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as awareness of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, Jiangsu Xingda, Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and Taizhou Xingda Specialized Wires Co., Ltd. ("Taizhou Xingda") contribute 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2021, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB7.3 million (first half of 2020: RMB4.3 million).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES – CONTINUED

In 2010, 5,000,000 shares of the Company (the “First Batch Shares”) were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the “Second Batch Shares”) were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the “Third Batch Shares”). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the “Fourth Batch Shares”). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the “Fifth Batch Shares”). In 2020, 732,018 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. As at 30 June 2021, the balance of the Fourth Batch Shares and Fifth Batch Shares were 84,000 shares and 4,658,194 shares respectively.

As at 30 June 2021, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and nearly all the Fourth Batch Shares have been vested with selected employees. The remaining 84,000 Fourth Batch Shares and 4,658,194 Fifth Batch Shares are expected to be vested with selected employees in a four-year period from 2021 to 2024.

PROSPECTS

With different countries speeding up vaccination and major economies rolling out economic stimulus measures in response to the pandemic, it is hopeful that the global economy will steadily recover, with developed countries expected to pick up faster than emerging countries. In China, the central bank lowered the deposit reserve ratio of financial institutions by 0.5 percentage point in mid-July this year, which is expected to release long-term liquidity worth RMB1,000,000 million. The lowering of reserve ratio (RRR) will be conducive to boosting domestic demand and helping the Chinese economy grow steadily.

The Group will pay close attention to continuous changes in the global economy under the impact from pandemic, national policies and market development trends. It will move forward in firm strides and timely adjust its strategic deployment to ensure that it affords healthy development.

As for the industry, the “14th Five-Year Plan” period is the time for the rubber industry to transform and upgrade, realizing quality development, which is critical to China in growing to become a strong player in the global rubber industry. As a leader in the radial tire cord sector, the Group will continue to stand at the forefront of the industry, actively develop high-end products and help the industry raise automation and intelligence levels as required.

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 2021.

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

As at 30 June 2021, 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 2021 (note 5)
Liu Jinlan	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 1)	719,534,457	44.777%
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)	719,534,457	44.777%
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)	719,534,457	44.777%
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)	719,534,457	44.777%
Koo Fook Sun, Louis	Beneficial owner	442,048	0.028%
William John Sharp	Beneficial owner	350,000	0.022%
Xu Chunhua	Beneficial owner	50,000	0.003%

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 28,380,275 shares in his own name as at 30 June 2021. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the prospectus 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 2021, Great Trade Limited held 268,104,883 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
2. Mr. Liu Xiang held 18,532,299 shares in his own name as at 30 June 2021. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2021, In-Plus Limited held 150,614,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
3. Mr. Tao Jinxiang held 5,864,000 shares in his own name as at 30 June 2021. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2021, Perfect Sino Limited held 116,259,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
4. Mr. Zhang Yuxiao held 3,058,000 shares in his own name as at 30 June 2021. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2021, Power Aim Limited held 42,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2021, i.e. 1,606,928,193 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 2021
Liu Jinlan	Interest of controlled corporation (note 1)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	99,000,000	3.46%
Liu Xiang	Interest of controlled corporation (note 2)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	72,000,000	2.52%
Tao Jinxiang	Interest of controlled corporation (note 3)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	54,000,000	1.89%
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,669	0.000058%

Notes:

1. Liu Jinlan is the general partner of 泰州金澤企業管理合夥企業(有限合夥) (Taizhou Jinze Corporate Management Partnership Corporation (Limited Partnership)*) which held 99,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 30 June 2021.
2. Liu Xiang is the general partner of 泰州業祥企業管理合夥企業(有限合夥) (Taizhou Yexiang Corporate Management Partnership Corporation (Limited Partnership)*) which held 72,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 30 June 2021.
3. Tao Jinxiang is the general partner of 泰州永業企業管理合夥企業(有限合夥) (Taizhou Yongye Corporate Management Partnership Corporation (Limited Partnership)*) which held 54,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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 2021 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 2021 are set out in note 23 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 2021, 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 2021 (note 3)
Great Trade Limited	Beneficial owner	268,104,883	Long position	16.68%
In-Plus Limited	Beneficial owner	150,614,000	Long position	9.37%
Perfect Sino Limited	Beneficial owner	116,259,000	Long position	7.23%
Hang Youming	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 1)	719,534,457	Long position	44.78%
Brown Brothers Harriman Agent & Co.		81,823,907	Lending pool	5.09%
		81,823,907	Long position	5.09%
FIL Limited	Interest of controlled corporation (note 2)	144,791,204	Long position	9.01%
Pandanus Associates Inc.	Interest of controlled corporation (note 2)	144,791,204	Long position	9.01%
Pandanus Partners L.P.	Interest of controlled corporation (note 2)	144,791,204	Long position	9.01%

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 37,932,000 shares in his own name as at 30 June 2021. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2021, Wise Creative Limited held 48,065,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.
2. Pandanus Associates Inc. held 100.00% of Pandanus Partners L.P., which in turn owned 37.01% of the issued share capital of FIL Limited. FIL Limited owned 100% of the issued share capital of FIL Asia Holdings Pte Limited, which in turn owned (i) 100% of the issued share capital of FIL Investment Management (Singapore) Limited; and (ii) 100% of the issued share capital of FIL Investment Management (Hong Kong) Limited. As at 30 June 2021, FIL Investment Management (Singapore) Limited and FIL Investment Management (Hong Kong) Limited held 81,827,515 and 15,490,241 shares in the Company respectively. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited are deemed to be interested in the shares in the Company held by (i) FIL Investment Management (Singapore) Limited; and (ii) FIL Investment Management (Hong Kong) Limited.
3. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2021, i.e. 1,606,928,193 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 2021 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 2021 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 2021, 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 2021.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished 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 2021.

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 2021, the Group has utilised approximately HKD701 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006	Actual utilized funds as at 30 June 2021	Balance of net proceeds as at 30 June 2021	Expected timeline for utilising the unutilised net proceeds
	<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	20,748	49,252	On or before 31 December 2023
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000	On or before 31 December 2023
Set-up of international development departments	180,000	93,051	86,949	On or before 31 December 2023
Working capital	37,000	37,000	–	
Total	1,087,000	700,799	386,201	

The remaining amount of approximately HKD386 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the 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 2021, 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 2021.

By Order of the Board

XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan

Chairman

Shanghai, the PRC, 30 August 2021



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF THE 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 25 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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

30 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 (unaudited) RMB'000	2020 (restated and unaudited) RMB'000
Revenue	4	5,275,190	3,233,858
Cost of sales		<u>(4,203,262)</u>	<u>(2,612,090)</u>
Gross profit		1,071,928	621,768
Other income	5	94,894	71,039
Government grants	6	5,927	8,839
Distribution and selling expenses		(401,073)	(204,741)
Administrative expenses		(204,508)	(160,593)
Other gains and losses, net	7	(60,948)	5,648
Impairment loss recognised under expected credit loss model, net of reversal		(6,180)	(196)
Research and development expenditure		(56,466)	(54,587)
Finance costs	8	<u>(74,994)</u>	<u>(28,761)</u>
Profit before tax		368,580	258,416
Income tax expense	9	<u>(69,375)</u>	<u>(62,053)</u>
Profit for the period	10	299,205	196,363
<i>Other comprehensive expense item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(62,353)</u>	<u>(6,448)</u>
Total comprehensive income for the period		<u>236,852</u>	<u>189,915</u>
Profit for the period attributable to:			
Owners of the Company		214,048	134,847
Non-controlling interests		<u>85,157</u>	<u>61,516</u>
		<u>299,205</u>	<u>196,363</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		170,056	128,569
Non-controlling interests		<u>66,796</u>	<u>61,346</u>
		<u>236,852</u>	<u>189,915</u>
Earnings per share	12		
– Basic (RMB cents)		<u>13.37</u>	<u>8.86</u>
– Diluted (RMB cents)		<u>13.30</u>	<u>8.81</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,788,887	4,543,522
Right-of-use assets	13	601,503	401,119
Freehold land		67,558	73,061
Investment properties	13	121,740	121,740
Term deposits		1,371,584	2,525,942
Deferred tax assets	14	128,664	72,698
Prepayments	15	22,463	23,963
		<u>7,102,399</u>	<u>7,762,045</u>
CURRENT ASSETS			
Inventories		1,150,609	773,681
Financial assets at fair value through profit or loss ("FVTPL")		176,184	84,384
Term deposits		1,311,183	5,011
Trade, bills and other receivables	16	7,428,148	6,157,711
Bank balances and cash		841,749	911,965
		<u>10,907,873</u>	<u>7,932,752</u>
CURRENT LIABILITIES			
Trade, bills and other payables	17	4,786,880	3,748,887
Contract liabilities	18	58,415	38,480
Amount due to a related company		1,929	3,415
Tax liabilities		70,202	77,284
Dividend payable		202,861	–
Dividend payable to non-controlling interests		314,337	328,976
Borrowings – due within one year	19	4,033,943	2,903,181
Bank overdrafts	19	21,000	21,000
Lease liabilities		589	572
		<u>9,490,156</u>	<u>7,121,795</u>
NET CURRENT ASSETS		<u>1,417,717</u>	<u>810,957</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,520,116</u>	<u>8,573,002</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	41,719	42,128
Borrowings – due after one year	19	485,000	670,000
Deferred income	20	210,263	48,805
Lease liabilities		1,195	1,494
Obligations arising from repurchase of shares	21	240,090	231,533
		<u>978,267</u>	<u>993,960</u>
NET ASSETS		<u>7,541,849</u>	<u>7,579,042</u>
CAPITAL AND RESERVES			
Share capital	22	158,603	158,603
Share premium and other reserves		5,468,644	5,499,008
Equity attributable to owners of the company		5,627,247	5,657,611
Non-controlling interests		1,914,602	1,921,431
TOTAL EQUITY		<u>7,541,849</u>	<u>7,579,042</u>

The condensed consolidated financial statements on pages 25 to 52 were approved and authorised for issue by the Board of the Directors on 30 August 2021 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 2021

Attributable to owners of the Company

	Attributable to owners of the Company											
	Share capital	Special reserve	Capital contribution reserve	Statutory common reserve	Capital redemption reserve	Translation reserve	Retained profits	Shares held under share-award scheme	Share-based payment reserve	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	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 2020 (audited)	151,728	308,047	(130,150)	798,202	9,700	40,013	4,397,263	(12,437)	4,291	5,566,657	2,108,372	7,675,029
Profit for the period	-	-	-	-	-	-	134,847	-	-	134,847	61,516	196,363
Other comprehensive expense for the period	-	-	-	-	-	(6,278)	-	-	-	(6,278)	(170)	(6,448)
Total comprehensive (expense) income for the period	-	-	-	-	-	(6,278)	134,847	-	-	128,569	61,346	189,915
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 23)	-	-	-	-	-	-	-	-	3,370	3,370	-	3,370
At 30 June 2020 (restated and unaudited)	151,728	308,047	(130,150)	798,202	9,700	33,735	4,324,936	(3,540)	1,115	5,493,773	2,119,458	7,613,231
At 1 January 2021 (audited)	158,603	429,281	(130,150)	840,004	9,700	(6,355)	4,356,104	(3,540)	3,964	5,657,611	1,921,431	7,579,042
Profit for the period	-	-	-	-	-	-	214,048	-	-	214,048	85,157	299,205
Other comprehensive expense for the period	-	-	-	-	-	(43,992)	-	-	-	(43,992)	(18,361)	(62,353)
Total comprehensive (expense) income for the period	-	-	-	-	-	(43,992)	214,048	-	-	170,056	66,796	236,852
Dividend recognised as distribution (note 11)	-	-	-	-	-	-	(202,861)	-	-	(202,861)	-	(202,861)
Dividend to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(73,625)	(73,625)
Shares vested under the share-award scheme	-	-	-	-	-	-	5,976	-	(5,976)	-	-	-
Recognition of equity-settled share-based payments (note 23)	-	-	-	-	-	-	-	-	2,441	2,441	-	2,441
At 30 June 2021 (unaudited)	158,603	429,281	(130,150)	840,004	9,700	(50,347)	4,373,267	(3,540)	429	5,627,247	1,914,602	7,541,849

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

- (a) Special reserve as at 1 January 2021 and 30 June 2021 of RMB429,281,000 represents (i) the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares in prior years; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda"), a subsidiary of the Company, at date of acquisition in prior years; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda"), a subsidiary of the Company, and the fair value of consideration paid in relation to the acquisition of the equity interest in 2016; (iv) the difference between the consideration paid by Jiangsu Xingda and the net carrying amount of 90% equity interest in Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), a subsidiary of the Company, in 2019; (v) the difference between the net carrying amount of additional 3.77% equity interest in Jiangsu Xingda acquired by Faith Maple through the subscription of 212,229,323 new shares issued by Jiangsu Xingda with an amount of RMB689,745,000 in 2019; (vi) the difference between the consideration paid by 5 strategic investors for 3.35% equity interest in Jiangsu Xingda and respective carrying amount of 3.35% of net assets of Jiangsu Xingda subgroup at transaction date in 2020; (vii) the difference between the aggregate amount of net assets related to 42.38% and 24.50% equity interest in Shandong Xingda transferred from Faith Maple and a non-controlling interests to Jiangsu Xingda and 2.47% of net assets of Jiangsu Xingda subgroup at transaction date in 2020; and (viii) the difference between the total share-based payment expenses recognised for the 101,840,880 shares of Jiangsu Xingda, transferred from a non-controlling shareholder, granted to eligible directors, employees and a supplier rendering services to the Group and the change in share of net assets of Jiangsu Xingda by non-controlling shareholders in 2020.
- (b) Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders in previous years.
- (c) According to the Articles of Association of the subsidiaries in the PRC, the subsidiaries 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 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(restated and unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	368,580	258,416
Interest income	(52,839)	(44,595)
Depreciation of property, plant and equipment	265,375	257,405
Depreciation of right-of-use assets	7,095	4,298
Dividend income from financial assets at FVTPL	(1,958)	(2,177)
Finance costs	74,989	28,761
Recognition of equity-settled share-based payments	2,441	3,370
Increase in inventories	(376,928)	(61,685)
(Increase) decrease in trade, bills and other receivables	(1,276,617)	755,238
Loss (gain) on change in fair value of financial assets at FVTPL	8,201	(775)
Increase (decrease) in trade, bills and other payables	835,826	(750,471)
Increase in contract liabilities	19,935	2,756
Income taxes paid	(132,832)	(50,483)
Other operating cash flows	28,580	2,455
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(230,152)	402,513
INVESTING ACTIVITIES		
Placement of term deposits	(1,356,131)	(555,196)
Purchases of property, plant and equipment	(394,701)	(266,740)
Payments for right-of-use assets	(207,661)	(60,953)
Purchase of financial assets at FVTPL	(100,001)	–
Withdrawal of term deposits	1,255,011	12,000
Receipts of assets-related government grants	165,038	53,109
Proceeds on disposal of property, plant and equipment	5,006	1,380
Interest received	2,145	2,037
Dividend received from financial assets at FVTPL	1,958	2,177
NET CASH USED IN INVESTING ACTIVITIES	(629,336)	(812,186)
FINANCING ACTIVITIES		
New bank and other borrowings raised	2,813,892	1,590,630
Repayments of bank and other borrowings	(1,866,552)	(958,146)
Dividend paid to non-controlling interests of a subsidiary	(88,264)	(25,484)
Interest paid	(61,514)	(45,306)
Repayments of lease liabilities	(282)	(222)
NET CASH FROM FINANCING ACTIVITIES	797,280	561,472
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(62,208)	151,799
CASH AND CASH EQUIVALENTS AT 1 JANUARY	890,965	497,912
Effect of foreign exchange rate changes	(8,008)	(102)
CASH AND CASH EQUIVALENTS AT 30 JUNE,	820,749	649,609
represented by		
Bank balances and cash	841,749	649,609
Bank overdrafts	(21,000)	–
	820,749	649,609

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL

Xingda International Holdings Limited (the “Company”, and together with its subsidiaries, collectively referred to as the “Group”) is a limited company incorporated in the Cayman Islands with its shares 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 its business is located at 6th Floor, No. 20, Lane 599, Yunling Road (East), Putuo District, Shanghai 200062, 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.

The Company is an investment holding company and its subsidiaries are principally 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 34 (“IAS 34”) Interim Financial Reporting issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2.1 Prior period adjustments

During the finalisation of the consolidated financial statements of the Group for the year ended 31 December 2020, the management has carried out a reassessment and identified certain adjustments in the consolidated financial statements of prior years. The prior period adjustments are to adjust (i) recognition of revenue from contracts with customers in proper accounting period; and (ii) accrual of goods transportation expenses in proper accounting period.

In preparing the condensed consolidated financial statements for the current interim period, the management has adjusted the prior period adjustments for the preceding interim period following the same accounting principles in adjusting the prior period adjustments as set out in Note 3.1 to the consolidated financial statements of the Group for the year ended 31 December 2020. The effect of the prior period adjustments in the respective line items of consolidated financial position of the Group as at 31 December 2019 are also presented in the same note. The effect of the prior period adjustments in the condensed consolidated statement of profit or loss and other comprehensive income for the current interim period is set out below:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION – CONTINUED

2.1 Prior period adjustments – continued

	Notes	Six months ended 30 June 2020 (unaudited and previously reported) RMB'000	Prior period adjustments RMB'000	Six months ended 30 June 2020 (restated and unaudited) RMB'000
Revenue	(a)	3,181,268	52,590	3,233,858
Cost of sales	(a)	(2,588,642)	(23,448)	(2,612,090)
Gross profit		592,626	29,142	621,768
Other income		71,039	–	71,039
Government grants		8,839	–	8,839
Distribution and selling expenses	(b)	(223,588)	18,847	(204,741)
Administrative expenses		(160,593)	–	(160,593)
Other gains and losses, net		5,648	–	5,648
Impairment loss recognised under expected credit loss model, net of reversal	(a)	(2,208)	2,012	(196)
Research and development expenditure		(54,587)	–	(54,587)
Finance costs		(28,761)	–	(28,761)
Profit before tax		208,415	50,001	258,416
Income tax expense	(a) & (b)	(54,553)	(7,500)	(62,053)
Profit for the period		153,862	42,501	196,363
<i>Other comprehensive expense item that may be reclassified subsequently to profit or loss:</i>				
Exchange difference arising on translation of foreign operations		(6,448)	–	(6,448)
Total comprehensive income for the period		147,414	42,501	189,915
Profit for the period attributable to:				
Owners of the Company		103,766	31,081	134,847
Non-controlling interests		50,096	11,420	61,516
		153,862	42,501	196,363
Total comprehensive income for the period attributable to:				
Owners of the Company		97,488	31,081	128,569
Non-controlling interests		49,926	11,420	61,346
		147,414	42,501	189,915
Earnings per share				
– Basic (RMB cents)		6.82	2.04	8.86
– Diluted (RMB cents)		6.78	2.03	8.81

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION – CONTINUED

2.1 Prior period adjustments – continued

Notes:

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied the following amendments to following IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the amendments to IFRSs in the current interim 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT INFORMATION

Revenue

(a) Disaggregation of revenue from contracts with customers

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

	Six months ended	
	30 June 2021	30 June 2020
	(unaudited)	(restated and unaudited)
	RMB'000	RMB'000
Sale of products		
Radial Tire Cords		
– For trucks	2,817,554	1,791,499
– For passenger cars	1,655,959	1,006,132
Bead wires	448,251	227,319
Hose wires and other wires	353,426	208,908
	<u>5,275,190</u>	<u>3,233,858</u>
Timing of revenue recognition		
A point in time	<u>5,275,190</u>	<u>3,233,858</u>

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

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

Segment information

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – continued

	As at 30 June 2021 (unaudited) RMB'000	As at 31 31 December 2020 (audited) RMB'000
The PRC	4,652,492	4,175,926
Thailand	949,659	987,479
	<u>5,602,151</u>	<u>5,163,405</u>

Geographical information

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

	Six months ended 30 June 2021 (unaudited) RMB'000	2020 (restated and unaudited) RMB'000
The PRC (country of domicile)	3,927,601	2,520,996
Thailand	255,430	129,061
India	234,812	88,377
United States of America	129,086	71,749
Korea	84,349	46,232
Slovenska	82,811	50,019
Brazil	78,183	55,628
Germany	73,209	35,928
Others	409,709	235,868
	<u>5,275,190</u>	<u>3,233,858</u>

No customer contributes over 10% of the total revenue of the Group for the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of scrap materials	31,292	15,966
Interest income earned on bank balances and bank deposits	52,839	44,595
Rental income from investment properties	2,614	2,540
Sundry income	8,149	7,938
	<u>94,894</u>	<u>71,039</u>

6. GOVERNMENT GRANTS

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Unconditional government grants (note)	2,347	8,839
Released from deferred income (note 20)	3,580	—
	<u>5,927</u>	<u>8,839</u>

Note:

The amount mainly represents government grants received from The People's Government of Xinghua Municipality (興化市人民政府), as subsidy for the Group's technology improvement on production skills and research on new products. The government grant is unconditional at the date the amount was received by the Group and was recognised as income during the six months ended 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2021	2020
	(<i>unaudited</i>)	(<i>unaudited</i>)
	RMB'000	RMB'000
(Loss) gain on change in fair value of financial assets at FVTPL	(8,201)	775
Net foreign exchange (loss) gain	(48,276)	6,184
Loss on disposal of property, plant and equipment	(6,429)	(1,311)
Dividend income from financial assets at FVTPL	1,958	–
	<u>(60,948)</u>	<u>5,648</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(<i>unaudited</i>)	(<i>unaudited</i>)
	RMB'000	RMB'000
Interests on:		
Bank loans and other borrowings	66,120	44,617
Bills receivable discounted	275	1,643
Lease liabilities	42	31
Imputed interest on obligations arising from repurchase of shares (<i>note 21</i>)	8,557	–
	<u>74,994</u>	<u>46,291</u>
Less: amount capitalised in the cost of qualifying assets	<u>–</u>	<u>(17,530)</u>
	<u>74,994</u>	<u>28,761</u>

Borrowing costs capitalised during the six months ended 30 June 2020 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.92% per annum to expenditure on qualifying assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(<i>unaudited</i>)	(<i>restated and unaudited</i>)
	RMB'000	RMB'000
Current tax	108,110	43,462
Withholding tax paid	17,640	13,808
Deferred tax	(56,375)	4,783
	<u>69,375</u>	<u>62,053</u>

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

Following the successful in renewing the High-tech Enterprise Certificate (the "Certificate") issued on 24 October 2018, Jiangsu Xingda is continued to entitle the tax incentive as High-tech Enterprise for another three years period up to year 2020. In the opinion of the management of the Group, Jiangsu Xingda fulfills the renewal requirements and the renewal of the Certificate in 2021 is under application process. Accordingly, the management continues to use the tax rate of 15% to calculate the amount of current tax for the six months ended 30 June 2021 (2020: 15%).

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 2021

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	398,009	278,255
Retirement benefits scheme contributions	23,496	11,584
Share-based payments	2,441	3,370
Total staff costs	423,946	293,209
Less: capitalised in inventories	(285,755)	(201,427)
Less: included in research and development expenditure	(17,574)	(12,113)
	120,617	79,669
Depreciation and amortisation		
– Property, plant and equipment	265,375	257,405
– Right-of-use assets	7,095	4,298
Total depreciation and amortisation	272,470	261,703
Less: capitalised in inventories	(200,049)	(212,492)
Less: included in research and development expenditure	(2,616)	(2,438)
	69,805	46,773

11. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	(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 2020 – 15.0 HK cents per share (2020: final dividend in respect of the year ended 31 December 2019 – 15.0 HK cents per share)	202,861	204,823

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. DIVIDENDS – CONTINUED

During the current interim period, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB202,861,000 for the year ended 31 December 2020 was approved at the annual general meeting of the Company held on 8 June 2021.

The management has determined that no dividend will be paid in respect of the 2021 interim period (2020: Nil).

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	
	2021 (<i>unaudited</i>) RMB'000	2020 (<i>restated and</i> <i>unaudited</i>) RMB'000
Earnings		
Earnings for the period attributable to owners of the Company	<u>214,048</u>	<u>134,847</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,600,407	1,522,044
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>8,838</u>	<u>8,522</u>
Weighted-average number of ordinary shares for the purpose of dilutive earnings per share	<u>1,609,245</u>	<u>1,530,566</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 23.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately RMB11,662,000 (for the six months ended 30 June 2020: RMB2,691,000) for cash proceeds of approximately RMB5,006,000 (for the six months ended 30 June 2020: RMB1,380,000), resulting in a loss on disposal of RMB6,429,000 (for the six months ended 30 June 2020: RMB1,311,000).

In addition, during the current interim period, the Group spent approximately RMB591,950,000 (for the six months ended 30 June 2020: RMB185,800,000) on the construction of its manufacturing plant in Thailand and the PRC. The Group also had acquisition of other plant, machinery and equipment in order to upgrade its manufacturing capabilities in the PRC. No borrowing costs has been capitalised in these carrying amounts during the period ended 30 June 2021 (for the six months ended 30 June 2020: RMB17,530,000).

During the current interim period, the Group entered into one new lease agreements with lease terms of 50 years. On lease commencement, the Group recognised right-of-use assets of RMB207,661,000 (for the six months ended 30 June 2020: RMB111,301,000).

The fair value of investment properties at 30 June 2021 were assessed by the management by reference to the valuation model formulated by the external independent qualified valuer engaged by the Group in preparing the Group's consolidated financial statements for the year ended 31 December 2020, revisited and determined the appropriate assumptions and inputs for valuing the investment properties under the investment approach. In the opinion of the management, the aggregate carrying amounts of the Group's investment properties in Shanghai, the PRC, 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.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Level 3 <i>RMB'000</i>
Office premises located in Shanghai	<u>121,740</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. DEFERRED TAXATION

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

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Deferred tax assets	128,664	72,698
Deferred tax liabilities	(41,719)	(42,128)
	<u>86,945</u>	<u>30,570</u>

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior periods:

	Unrealised gain from property, plant and equipment transferred between group entities RMB'000 (note)	Deferred income RMB'000	Differences between accounting depreciation and tax depreciation RMB'000	Allowance for credit losses RMB'000	Fair value change on investment properties RMB'000	Fair value adjustment arising from Undistributed profits of a subsidiary RMB'000	Unrealised profit or loss RMB'000	Total RMB'000	
At 1 January 2021	36,105	12,201	(7,381)	24,392	(19,623)	(3,606)	(11,518)	-	30,570
(Credit) charge to profit or loss	(3,493)	40,365	(223)	604	(489)	74	1,047	18,490	56,375
At 30 June 2021	<u>32,612</u>	<u>52,566</u>	<u>(7,604)</u>	<u>24,996</u>	<u>(20,112)</u>	<u>(3,532)</u>	<u>(10,471)</u>	<u>18,490</u>	<u>86,945</u>

Note: During the year ended 31 December 2020, Jiangsu Xingda indirectly invested in Taizhou Xingda Special Wire Rope., Ltd ("Taizhou Xingda") by transferring certain property, plant and equipment to Taizhou Xingda as capital contribution at a fair value, which became the tax base of these property, plant and equipment. The deferred tax assets represent tax impact of temporary differences between the carrying amount of the property, plant and equipment transferred and their tax bases.

At the end of the reporting period, the Group did not have significant deductible temporary differences for which no deferred tax asset has been recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. PREPAYMENTS

The amount of RMB25,463,000 (31 December 2020: RMB26,963,000) represents the prepayment of road maintenance and management fee to a government authority with remaining period of 8.49 (31 December 2020: 8.99) years. As at 30 June 2021, an amount of RMB3,000,000 (31 December 2020: RMB3,000,000) is included in trade and other receivables as current asset as that portion will be recognised as an expense within twelve months while the remaining RMB22,463,000 (31 December 2020: RMB23,963,000) is classified as non-current assets which will be recognised as expenses after twelve months from the reporting date.

16. TRADE, BILLS 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 accounts payable.

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Trade receivables – goods	3,158,878	2,454,551
Less: Allowance for credit losses	(101,200)	(95,020)
	3,057,678	2,359,531
Bills receivable	4,125,441	3,605,122
Less: Allowance for credit losses	(1,950)	(1,950)
	4,123,491	3,603,172
	7,181,169	5,962,703
Advances to suppliers of raw materials	41,746	39,331
Prepayments for spools	37,163	18,376
Value-add tax receivable	131,884	113,601
Other receivables and prepayments	41,448	28,962
Less: Allowance for credit losses on other receivables	(5,262)	(5,262)
	246,979	195,008
	7,428,148	6,157,711

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For the six months ended 30 June 2021

16. TRADE, BILLS AND OTHER RECEIVABLES – CONTINUED

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

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Trade receivables		
0 – 90 days	2,266,233	1,842,046
91 – 120 days	346,707	231,928
121 – 180 days	290,043	195,082
181 – 360 days	154,645	90,272
Over 360 days	50	203
	<u>3,057,678</u>	<u>2,359,531</u>
Bills receivable		
0 – 90 days	573,411	482,520
91 – 180 days	1,379,191	1,416,727
181 – 360 days	1,882,792	1,610,423
Over 360 days	288,097	93,502
	<u>4,123,491</u>	<u>3,603,172</u>

For trade receivables for sales of radial tire cords, bead wires and other wires, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the expected credit losses on these items by using collective basis, grouped by the key market of the customers.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers in relation to its sales of radial tire cords, bead wires and other wires because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

During the current interim period, the Group recognised additional allowance for credit losses of RMB8,618,000 (for the six months ended 30 June 2020: RMB3,082,000) for trade receivables, based on the collective basis.

There is a reversal of allowance for credit losses amounted to RMB2,438,000 (for the six months ended 30 June 2020: RMB2,824,000) on those trade debtors being recovered for the six months ended 30 June 2021.

During the six months ended 30 June 2020, the Group recognised an allowance for credit losses of RMB1,950,000 on bills receivable due to the unrecoverable of certain bills receivable. No allowance for credit losses was recognised on bills receivable during current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. TRADE, BILLS AND OTHER PAYABLES

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Trade payables	2,902,597	1,706,739
Bills payable	620,000	900,000
	3,522,597	2,606,739
Value-added tax payables and other tax payables	4,267	13,042
Accrued staff costs and pension	230,382	296,655
Payables for purchase of property, plant and equipment	894,253	697,004
Accrued interest expense	9,027	4,109
Accrued expenses	112,122	96,406
Others	14,232	34,932
	1,264,283	1,142,148
	4,786,880	3,748,887

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

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (audited) RMB'000
Trade payables		
0 – 90 days	1,929,388	943,324
91 – 180 days	455,352	295,487
181 – 360 days	450,700	365,943
Over 360 days	67,157	101,985
	2,902,597	1,706,739
Bills payable		
0 – 90 days	440,218	499,768
91 – 180 days	179,782	400,232
	620,000	900,000

The average credit period on purchase of goods is 90 days which may be extended to 120 days or 180 days based on negotiation with the suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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18. CONTRACT LIABILITIES

	30 June 2021 <i>(unaudited)</i> RMB'000	31 December 2020 <i>(audited)</i> RMB'000
Trade deposits received from customers	<u>58,415</u>	<u>38,480</u>

The Group may require certain customers to pay deposits in advance and to fully settle the remaining balance before or upon delivery.

The amount represented the trade deposits received from customers, which will be recognised as the Group's revenue when the control of the goods transferred to customers. The amounts are classified as current liabilities as they are expected to be recognised as revenue within twelve months after the reporting date.

As at 1 January 2021, contract liabilities amounted to RMB38,079,000 had been recognised as the Group's revenue during the current interim period.

19. BORROWINGS/BANK OVERDRAFTS

	As at 30 June 2021 <i>(unaudited)</i> RMB'000	As at 31 December 2020 <i>(audited)</i> RMB'000
Bank overdrafts	21,000	21,000
Bank borrowings	<u>4,518,943</u>	<u>3,556,481</u>
	4,539,943	3,577,481
Other loans	<u>–</u>	<u>16,700</u>
	<u>4,539,943</u>	<u>3,594,181</u>
Secured	1,107,232	1,103,241
Unsecured	<u>3,432,711</u>	<u>2,490,940</u>
	<u>4,539,943</u>	<u>3,594,181</u>
Analysed for reporting purposes as:		
Current	4,054,943	2,924,181
Non-current	<u>485,000</u>	<u>670,000</u>
	<u>4,539,943</u>	<u>3,594,181</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. BORROWINGS/BANK OVERDRAFTS – CONTINUED

During the current period, new other loan of RMB9,000,000 was borrowed (for the six months ended 30 June 2020: RMB25,269,000) from a financial institute, which is controlled by a director of the Company. The amount is unsecured, carried interest at a fixed rate of 5% per annum (2020: 6.5% per annum) and is repayable in one year. The proceeds were used as working capital of the Group. Other loans of RMB25,700,000 (for the six months ended 30 June 2020: RMB125,500,000) were repaid during the period ended 30 June 2021.

During the current period, the Group obtained new bank borrowings amounting to RMB2,804,892,000 (for the six months ended 30 June 2020: RMB1,565,361,000). The loans carry interest at market rates. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB1,840,852,000 (for the six months ended 30 June 2020: RMB832,646,000) during the period.

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

	30 June 2021	31 December 2020
Effective interest rates:		
Fixed-rate borrowings	2.70% – 4.56%	2.70% – 4.79%
	Hong Kong Inter Bank	
Variable-rate borrowings	Offered Rate ("HIBOR")+2.2%	HIBOR+2.2%

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

Bank borrowings were secured by term deposits of RMB1,334,826,000 (31 December 2020: RMB801,664,000) and bills receivable of RMB22,232,000 (31 December 2020: trade receivables of RMB1,700,000) of the Group.

20. DEFERRED INCOME

	As at 30 June 2021 (<i>unaudited</i>) RMB'000	As at 31 December 2020 (<i>audited</i>) RMB'000
Analysed for reporting purposes as:		
Non-current liabilities	<u>210,263</u>	<u>48,805</u>

During the current interim period, the Group received government grant of RMB165,038,000 to support the Group's expansion of production. The amount has been accounted for as deferred income and released to income over the useful lives of the relevant assets. The relevant assets had not yet started to amortise. The remaining balance of deferred income of RMB45,225,000 (31 December 2020: RMB48,805,000) was related to assets which have been used and the relevant deferred income released to profit or loss during the current interim period is set out in note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

21. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES

	As at 30 June 2021 <i>(unaudited)</i> RMB'000	As at 31 December 2020 <i>(audited)</i> RMB'000
Obligations arising from repurchase of shares	<u>240,090</u>	<u>231,533</u>

On 16 December 2020, Jiangsu Xingda, an indirectly non-wholly owned subsidiary of the Company, entered into Capital Increase Agreements with five strategic investors (hereinafter collectively referred to as the "Investors"), namely, 成山集團有限公司 (Chengshan Group Co., Ltd.*), 玲瓏輪胎有限公司 (Linglong Tire Co., Ltd.*), 賽輪集團股份有限公司 (Sailun Group Co., Ltd.*), 三角輪胎股份有限公司 (Triangle Tyre Co., Ltd.*) and 嘉興建信宸玥股權投資合夥企業(有限合夥) (Jiaying Jianxin Chenyue Equity Investment Enterprise (Limited Partnership)*), pursuant to which the Investors subscribed for, in aggregate, 3.35% of the equity interest, representing RMB63,888,885 of enlarged paid-in capital of Jiangsu Xingda, by way of cash contribution at an aggregate consideration of RMB230,000,000.

The Capital Increase Agreements each contains a share repurchase arrangement, pursuant to which Jiangsu Xingda granted redemption right to the Investors, who have the put option to demand Faith Maple to repurchase their shares at an agreed price equivalent to full consideration of the capital injection plus imputed interest at 8% per annum deducting all dividend (including tax) received from Jiangsu Xingda starting from the date of payment of share subscription, if Jiangsu Xingda does not complete the A share initial public offering and become listed on either the Shanghai Stock Exchange or Shenzhen Stock Exchange by 31 December 2022.

The obligation of Faith Maple arising from repurchase of shares was regarded as a financial liability with present value of RMB240,090,000 at 30 June 2021 and bearing an interest of 8% per annum. The imputed interest charged to profit or loss under finance costs during the current interim period amounted to RMB8,557,000.

* For identification only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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22. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2021 '000	31 December 2020 '000	30 June 2021 RMB'000	31 December 2020 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	1,606,928	1,530,813	158,603	151,728
Issue of scrip shares	<u>–</u>	<u>76,115</u>	<u>–</u>	<u>6,875</u>
At end of period	<u>1,606,928</u>	<u>1,606,928</u>	<u>158,603</u>	<u>158,603</u>

23. SHARE-BASED PAYMENT

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 the 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.

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For the six months ended 30 June 2021

23. SHARE-BASED PAYMENT – CONTINUED

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

	Number of shares		Total
	Awarded shares granted in 2016 (Note 1)	Awarded shares granted in 2019 (Note 2)	
Outstanding as at 1 January 2021	3,333,332	10,000,000	13,333,332
Vested during the period	<u>(3,333,332)</u>	<u>–</u>	<u>(3,333,332)</u>
Outstanding as at 30 June 2021	<u>–</u>	<u>10,000,000</u>	<u>10,000,000</u>

Note 1: The last tranche of awarded shares granted in 2016 had been vested during the six months ended 30 June 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 RMB2,441,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB3,370,000) in relation to shares granted under the Scheme by the Company.

24. CAPITAL COMMITMENTS

	As at 30 June 2021 (unaudited) RMB'000	As at 31 December 2020 (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>507,066</u>	<u>594,780</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25. 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	Notes	Six months ended 30 June	
			2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Services fee for hotel and catering services	(a)	6,192	2,669
Xinghua Xingda Rural Small Loan Co., Ltd.	Interest expenses for borrowings	(b)	<u>26</u>	<u>-</u>

Notes:

- (a) Xingda Xiu Yuan is a limited company controlled by a director of the Company.
- (b) Xinghua Xingda Rural Small Loan Co., Ltd. is a limited company which is a non-wholly owned subsidiary of Xingda Xiu Yuan.

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	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Short-term benefits	20,536	15,914
Post-employment benefits	80	26
Share-based payments	<u>2,097</u>	<u>2,934</u>
	<u>22,713</u>	<u>18,874</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.

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26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)			
Financial assets at FVTPL	176,184	84,384	Level 1	Quoted price in active market	N/A

Note: There were no transfers between level 1 to level 2 during the six months ended 30 June 2021 and 2020.