



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)

2023 ANNUAL REPORT



CONTENTS

	Page(s)
Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Directors' and Senior Management's Biographies	16
Directors' Report	20
Corporate Governance Report	44
2023 Environmental, Social and Governance Report	64
Independent Auditor's Report	148
Consolidated Statement of Profit or Loss and Other Comprehensive Income	153
Consolidated Statement of Financial Position	154
Consolidated Statement of Changes in Equity	156
Consolidated Statement of Cash Flows	158
Notes to the Consolidated Financial Statements	160
Financial Summary	244

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Jinlan (*Chairman*)
Mr. LIU Xiang
Mr. ZHANG Yuxiao
Mr. HANG Youming (appointed on 15 January 2024)
Ms. WANG Yu (appointed on 15 January 2024)
Mr. WANG Jin (appointed on 15 January 2024)
Mr. TAO Jinxiang (retired on 8 June 2023)

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis
Ms. XU Chunhua
Mr. LUO Tiejun
(appointed on 8 June 2023 and resigned on 3 April 2024)
Mr. William John SHARP (retired on 8 June 2023)

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis (*Chairman*)
Ms. XU Chunhua
Mr. LUO Tiejun
(appointed on 8 June 2023 and ceased to be a member on 3 April 2024)
Mr. William John SHARP
(ceased to be a member on 8 June 2023)

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Mr. KOO Fook Sun, Louis (*Chairman*)
(appointed as the chairman on 8 June 2023)
Mr. LUO Tiejun
(appointed on 8 June 2023 and ceased to be a member on 3 April 2024)
Mr. William John SHARP
(ceased to be a chairman and member on 8 June 2023)

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:
Patrick Mak & Tse
Solicitors

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

INVESTOR RELATIONS

Ever Bloom (HK) Communications Consultants Group Limited
10/F., 80 Gloucester Road
Wan Chai
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE

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Yunling Road (East)
Putuo District
Shanghai 200062
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

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

Hong Kong Branch:

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

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	2023	2022	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
OPERATING RESULTS			
Revenue	11,490.5	10,812.0	+6.3%
Gross profit	2,200.5	2,273.5	-3.2%
EBITDA ⁽¹⁾	1,611.7	1,521.6	+5.9%
Profit for the year	637.4	558.2	+14.2%
Profit attributable to owners of the Company	449.4	348.4	+29.0%
Earnings per share – basic (RMB cents)	27.07	20.99	+29.0%
Earnings per share – diluted (RMB cents)	26.89	20.88	+28.8%

	2023	2022	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
FINANCIAL POSITION			
Total assets	20,719.9	21,010.0	-1.4%
Total liabilities	12,421.0	13,086.2	-5.1%
Net assets	8,298.9	7,923.8	+4.7%
Equity attributable to owners of the Company	6,104.9	5,864.5	+4.1%

	2023	2022
KEY RATIOS		
Gross profit margin ⁽²⁾	19.2%	21.0%
EBITDA margin ⁽³⁾	14.0%	14.1%
Return on equity ⁽⁴⁾	7.4%	5.9%
Current ratio ⁽⁵⁾	1.00	1.00
Gearing ratio ⁽⁶⁾	32.0%	32.8%
Net debts to equity ratio ⁽⁷⁾	99.3%	103.5%

Notes:

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") for the year ended 31 December 2023.

Over the past year, the global economy gradually emerged from the haze of the pandemic and showed a weak recovery. The Group's business still recorded stable growth in 2023. During the year, the Group's revenue increased by 6.3% year-on-year to RMB11,490 million (2022: RMB10,812 million). Gross profit dropped by 3.2% year-on-year to RMB2,201 million (2022: RMB2,274 million) and gross profit margin decreased 1.8 percentage points year-on-year to 19.2% (2022: 21.0%), which was mainly attributable to the fact that the impairment of property, plant and equipment of RMB92 million was included in cost of sales during the year. Profit attributable to owners of the Company rose by 29.0% year-on-year to RMB449 million (2022: RMB348 million). Basic earnings per share were RMB27.07 cents (2022: RMB20.99 cents). The Board of Directors recommended payment of a final dividend of 13.0 HK cents per share for the year ended 31 December 2023 (2022: 15.0 HK cents per share).

In 2023, China's economy continued to recover steadily, with economic activities gradually picking up, and the logistics industry was improving steadily. The production and sales of automobiles exceeded 30 million units, reaching a record high. Consequently, the production and sales of radial tire cords benefited from it. In 2023, various favorable policies were issued by relevant government agencies in China, including infrastructure improvements, car purchase incentives, aiming to stimulate the recovery of automobile consumption market. The automobile market in China has shown a clear trend of recovery starting from the second quarter, significantly boosting the complementary demand. In the logistics industry, particularly in the third quarter, with the implementation of a series of policies to stabilize growth, there were positive changes throughout the industry chain, leading to an overall increase in logistics demand, thereby driving the growth of tire demand as well.

As for overseas markets, demand remained strong, coupled with the comprehensive impact of falling shipping costs and raw material prices, which significantly boosted the export sales of radial tire cords. In 2023, China's cumulative tire exports reached 616 million units, an increase of 11.8% year-on-year; the export value exceeded RMB150 billion, an increase of 19.5% year-on-year, a year of bountiful harvest in exports.

In September 2023, the Group established a joint venture company with 華勤橡膠工業集團有限公司 (Huaqin Rubber Industry Group Co., Ltd*) ("Huaqin Rubber"). Huaqin Rubber is mainly engaged in rubber production businesses, while the joint venture company will principally focus on manufacturing steel cords related to radial tire framework materials. It is expected that the joint venture company will generate business synergies between the Group and Huaqin Rubber, strengthen the Group's production capacity, broaden the revenue base and expand the business scope in China.

CHAIRMAN'S STATEMENT

Looking ahead, the positive trend of China's economic recovery is expected to be further consolidated and strengthened in 2024. The government will continue to intensify the implementation of macroeconomic policies, strengthen real economy, promote consumption, expand investment and stabilize foreign trade. It is anticipated that domestic demand for tires and export volume in China will continue to rise. Despite the unstable geopolitical situation globally, the risks facing global growth are roughly balanced, economic activities remain relatively active and the tire replacement cycle is shortened. This is expected to drive up overseas tire demand, and boost the development of the radial tire cord industry. The Group will closely monitor changes in overseas markets, and the management remains optimistic about the industry's development in 2024.

In 2024, the Group will fully embrace the growing domestic market demand and actively expand overseas markets in Europe, America, Southeast Asia and India. Xingda is committed to improving the product quality of radial tire cords, steadily expanding into new tracks, and promoting the sustainable development of the tire industry.

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



MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” or “Xingda”) are pleased to present the audited consolidated annual results of the Group for the year ended 31 December 2023.

For the twelve months ended 31 December 2023, the Group recorded revenue of RMB11,490.5 million, representing a year-on-year increase of 6.3% (2022: RMB10,812.0 million). Gross profit dropped by 3.2% year-on-year to RMB2,200.5 million (2022: RMB2,273.5 million) and gross profit margin fell by 1.8 percentage points against the same period last year to 19.2% (2022: 21.0%). Profit attributable to owners of the Company increased by 29.0% year-on-year to RMB449.4 million (2022: RMB348.4 million). Basic earnings per share were RMB27.07 cents (2022: RMB20.99 cents). The Board recommends the payment of final dividend of HK13.0 cents per share (equivalent to approximately RMB11.8 cents) for the 12 months ended 31 December 2023.

INDUSTRY OVERVIEW

In 2023, China’s economy fully recovered and stabilized. According to data from the National Bureau of Statistics, China’s gross domestic product (GDP) grew by 5.2% year-on-year in 2023, achieving major expected targets. As the domestic economy reached new heights, national freight logistics also saw improvements in quality and efficiency, with continuous increases in traffic flow on highways, steady recovery in truck traffic, and strong rebound in passenger car traffic.

In terms of policy, seven Chinese government agencies, including the Ministry of Industry and Information Technology (MIIT), jointly issued the Work Plan for Stable Growth of the Automobile Industry (2023-2024) in the second half of 2023. The plan proposes to support the expansion of new energy vehicle consumption and stabilize fuel vehicle consumption, thereby promoting stable growth of the automobile industry and supporting stable and healthy operation of the industrial economy.

According to the latest data from the China Association of Automobile Manufacturers (CAAM), China’s automobile production and sales reached 30.161 million and 30.094 million respectively in 2023, hitting record highs with year-on-year increases of 11.6% and 12.0% respectively, driving demand for radial tire cords. Additionally, according to statistics from the Ministry of Public Security, as of the end of December 2023, the number of automobiles in service in China reached 336 million, providing sustained support for the replacement market of radial tires in the long run.

In 2023, with the global automotive industry chain recovering and export-driven growth, China’s tire industry saw a comprehensive recovery in operating conditions. Against the backdrop of growing demand and falling prices of raw materials and shipping fees, the tire industry witnessed booming production and sales, benefiting the overseas business of radial tire cords.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, with the rise of domestic demand while demand in overseas markets maintained steady growth, the industry of radial tire cord remained stable. Being to give full play to its advantages as an industry leader, Xingda maintained overall stable business growth. During the year, the Group recorded total sales volume of 1,306,100 tonnes, up by 23.8% year-on-year, and that of radial tire cords boosted by 24.9% year-on-year to 1,043,000 tonnes, accounting for 79.9% of the Group's total sales volume (2022: 79.2%). Sales volume of bead wires increased by 21.6% to 155,300 tonnes, accounting for 11.9% of the Group's total sales volume (2022: 12.1%). As for hose wires and other wires, their total sales volume increased by 16.9% to 107,800 tonnes, making up 8.2% of the Group's total sales volume (2022: 8.7%).

During the year, sales volume of the Group's radial tire cords for trucks increased 25.0% year-on-year to 587,700 tonnes, mainly due to the economic and logistic activities in China getting back to normal gradually, plus the increase in tire production and demand in the country year-on year. Moreover, as the rebound of domestic market demand on radial tires for passenger cars boosted the sales volume of the Group's radial tire cords for passenger cars during the year, the Group's sales volume of radial tire cords for passenger cars saw an increase of 24.9% to 455,300 tonnes. The sales volume of radial tire cords for trucks and passenger cars accounted for 56.3% and 43.7%, respectively, of the total sales volume of radial tire cords during the year.

Sales Volume

	2023	2022	Change
	Tonnes	Tonnes	
Radial tire cords	1,043,000	834,800	+24.9%
– For trucks	587,700	470,300	+25.0%
– For passenger cars	455,300	364,500	+24.9%
Bead wires	155,300	127,700	+21.6%
Hose wires and other wires	107,800	92,200	+16.9%
Total	<u>1,306,100</u>	<u>1,054,700</u>	+23.8%

In the China market, sales volume of the Group's radial tire cords increased by 32.1% to 759,700 tonnes in 2023 (2022: 575,300 tonnes), mainly due to the improved market demand of radial tires as a result of more frequent domestic economic activities and better GDP. During the year, overseas market demand remained strong. Sales volume of radial tire cords increased by 9.2% to 283,300 tonnes (2022: 259,500 tonnes), mainly due to continuous growth in demand from overseas tire manufacturers. Domestic and overseas markets accounted for 72.8% and 27.2% of the Group's total sales volume, respectively (2022: 68.9% and 31.1%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – CONTINUED

Sales Volume – Continued

As at 31 December 2023, the Group's annual production capacity of radial tire cords increased to 1,074,000 tonnes, with the annual production capacity of the Jiangsu, Shandong and Thailand factories reaching 802,000 tonnes, 197,000 tonnes and 75,000 tonnes, respectively. The annual production capacity of bead wires dropped to 161,000 tonnes. The annual production capacity of hose wires and other wires increased to 114,000 tonnes. During the year, the overall capacity utilization rate of the Group's plants was increased to 96.3% (2022: 84.7%) due to the recovery of the domestic radial tires market and growing demand for radial tire cords.

	2023	2023	2022	2022
	Production	Utilization	Production	Utilization
	Capacity	Rate	Capacity	Rate
	(Tonnes)		(Tonnes)	
Radial tire cords	1,074,000	96.3%	972,100	86.1%
Bead wires	161,000	96.8%	169,700	74.4%
Hose wires and other wires	114,000	95.1%	103,800	88.6%
Overall	1,349,000	96.3%	1,245,600	84.7%

To bolster production capacity and enlarge its business footprint, the Group has continued to devote resources to enhance product research and development, reform product technology and provide customized radial tire cords to customers for meeting their needs. In 2023, Xingda developed 37 new radial tire cords and 23 new bead wires and other wires.

FINANCIAL REVIEW

Revenue

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

<i>RMB in million</i>	2023	Proportion	2022	Proportion	Change
Radial tire cords	9,880.8	86.0%	9,265.4	85.7%	+6.6%
– For trucks	5,574.8	48.5%	5,209.4	48.2%	+7.0%
– For passenger cars	4,306.0	37.5%	4,056.0	37.5%	+6.2%
Bead wires	861.1	7.5%	833.6	7.7%	+3.3%
Hose wires and other wires	748.6	6.5%	713.0	6.6%	+5.0%
Total	11,490.5	100.0%	10,812.0	100.0%	+6.3%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Revenue – Continued

During the year, the Group's revenue increased by RMB678.5 million or 6.3% year-on-year to RMB11,490.5 million (2022: RMB10,812.0 million), mainly due to the increase in demand and sales volume in both domestic and overseas market.

Gross profit and gross profit margin

The Group's gross profit decreased by RMB73.0 million or 3.2% to RMB2,200.5 million (2022: RMB2,273.5 million), with gross profit margin at 19.2% (2022: 21.0%), representing a year-on year decrease of 1.8 percentage points. Both gross profit and gross profit margin declined mainly due to the impairment loss on property, plant and equipment of RMB91.6 million being included in cost of sales in 2023.

Other income

Other income decreased by RMB68.8 million or 32.2% to RMB145.0 million (2022: RMB213.8 million), mainly due to the decrease in bank interest income from fixed bank deposits and bank balances and the lack of income from sales of other materials during the year.

Government grants

During the year, government grants decreased by RMB8.6 million or 37.9% to RMB14.1 million (2022: RMB22.7 million), mainly due to a decrease in subsidies from the local government in China.

Other gains and losses, net

Other gains and losses, net decreased by RMB84.9 million or 55.7% from net gain of RMB152.3 million in 2022 to net gain of RMB67.4 million in 2023. It was mainly due to a decrease in net foreign exchange gain recorded during the year.

Recognition of impairment losses under expected credit loss model

Recognition of impairment losses under expected credit loss model increased by RMB23.5 million or 940.0% to RMB26.0 million in 2023 (2022: RMB2.5 million). It was mainly attributable to an increase in default rates which were used in expected credit loss model in 2023.

Other expense

Other expense decreased by RMB26.0 million or 76.9% to RMB7.8 million (2022: RMB33.8 million), mainly due to the fact that no cost of sales of other materials was recorded in 2023.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB264.6 million or 24.9% to RMB796.4 million (2022: RMB1,061.0 million), mainly due to lower transportation costs under decreasing shipment fees on a year-on-year basis.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Administrative expenses

Administrative expenses increased by RMB4.8 million or 1.1% to RMB457.0 million (2022: RMB452.2 million), mainly due to an increase in consultancy and professional fees recorded in 2023.

Research and development expenditure

Research and development expenditure increased by RMB1.5 million or 0.9% to RMB170.7 million (2022: RMB169.2 million), mainly because the Group contributed overall more resources to the research and development of new products in the whole year of 2023.

Finance costs

If the finance costs including the interests capitalised in the cost of qualifying assets, they would have been increased by RMB9.5 million or 3.9% to RMB251.6 million (2022: RMB242.1 million). The increase was mainly due to the rise of average balance of bank borrowings on a year-on-year basis.

Income tax expense

The Group's income tax expense decreased by RMB88.0 million or 47.2% to RMB98.4 million (2022: RMB186.4 million), with an effective tax rate of 13.4% (2022: 25.0%). Part of the deductible expenses in year 2022 were deferred to year 2023 for recognition and offsetting against the current tax and the deferred tax credit in year 2023 was also increased. Accordingly, the effective tax rate was dropped on a year-on-year basis.

Net profit

Taking the above factors into account, the Group's net profit for the year increased by RMB79.2 million or 14.2% to RMB637.4 million (2022: RMB558.2 million).

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year, there were no significant changes in the Group's funding and treasury policies. The principal source of liquidity and capital resources was the cash flow generated from operating activities, whereas the principal usages of cash were for the acquisition of property, plant and equipment and payment of dividends and income tax.

Bank balances and cash of the Group decreased by RMB254.1 million or 30.8% from RMB824.9 million as at 31 December 2022 to RMB570.8 million as at 31 December 2023. The decrease was mainly due the cash used in investing activities of RMB941.9 million and financing activities of RMB956.8 million respectively, exceeding the cash that has been generated from operating activities of RMB1,633.4 million and the increase in cash under the effect of foreign exchange rate changes of RMB11.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – CONTINUED

Borrowings decreased by RMB261.7 million or 3.8% to RMB6,630.1 million as at 31 December 2023 from RMB6,891.8 million as at 31 December 2022. The bank borrowings carry interest at fixed rates from 1.35% to 3.90% (31 December 2022: 1.35% to 4.05%) and variable rates from 2.90% to 7.73% (31 December 2022: 3.40% to 7.22%). Borrowings of RMB6,120.3 million are repayable within one year from 31 December 2023 and the remaining borrowings of RMB509.8 million are repayable after one year from 31 December 2023.

As at 31 December 2023, the Group's current assets decreased by RMB56.2 million or 0.5% to RMB11,587.8 million (31 December 2022: RMB11,644.0 million). Current liabilities decreased by RMB56.0 million or 0.5% to RMB11,568.2 million (31 December 2022: RMB11,624.2 million). The Group's current ratio (being defined as current assets over current liabilities) maintained at 1.0 time (31 December 2022: 1.0 time). The gearing ratio (being defined as total borrowings to total assets) as at 31 December 2023 was 32.0% (31 December 2022: 32.8%).

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in RMB, US dollars, Euros and Thai Baht.

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

CAPITAL EXPENDITURE

For the year ended 31 December 2023, capital expenditure for property, plant and equipment amounted to RMB1,098.4 million (2022: RMB1,633.0 million).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had made a capital commitment of approximately RMB228.7 million (31 December 2022: RMB272.4 million) for acquisition of property, plant and equipment and freehold land contracted for but not provided in the consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment and freehold land authorised but not contracted as at 31 December 2023 and 31 December 2022. The capital commitment is expected to be met by the internal resources of the Group and borrowings.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023 and 31 December 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2023, bank borrowings were secured by pledged term deposits, leasehold lands and bills receivable of the Group amounting to RMB885.2 million, RMB195.7 million and RMB174.0 million, respectively (31 December 2022: secured by term deposits, leasehold lands and bills receivable amounting to RMB1,978.6 million, RMB199.9 million and RMB163.4 million, respectively).

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan Holdings Limited (formerly known as Prinx Chengshan (Cayman) Holding Limited) ("Prinx Chengshan", stock code: 1809.HK), whose shares are listed on the Main Board of the Stock Exchange, at HK\$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK\$71.4 million. The shares held by Xingda accounted for 1.9% of the entire issued shares of Prinx Chengshan as at 31 December 2023 and 31 December 2022 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 FVTPL of RMB4.3 million was recorded during the year ended 31 December 2023 (2022: loss of RMB6.2 million). For the year ended 31 December 2023, the dividend income received net of withholding tax from Prinx Chengshan was RMB2.0 million (2022: RMB1.9 million).

The fair value of the investment in Prinx Chengshan as at 31 December 2023 was RMB69.4 million (31 December 2022: RMB65.1 million). The above mentioned investment accounted for 0.3% and 0.3% of the total assets value of the Group as at 31 December 2023 and 31 December 2022 respectively.

Save as disclosed above, the Group had no other significant investments as at 31 December 2023 and 31 December 2022 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

Discloseable transaction – Formation of Joint Venture Company

As disclosed by the announcement of the Group on 27 September 2023, 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.*) (“Jiangsu Xingda”), an indirect non-wholly owned subsidiary of the Group, and 華勤橡膠工業集團有限公司 (Huaqin Rubber Industry Group Co., Ltd*) (“Huaqin Rubber”) entered into an investment agreement dated 27 September 2023 (the “Investment Agreement”) in respect of, among others, the formation of a joint venture company (the “Joint Venture Company”), the non-cash contributions towards the registered capital of the Joint Venture Company and operation and management of the affairs of the Joint Venture Company. The Joint Venture Company will be principally engaged in the manufacture of steel cords in relation to radial tire framework materials. Pursuant to the Investment Agreement, the total investment amount towards the Joint Venture Company was RMB600 million, 60% of which was agreed to be contributed by Jiangsu Xingda through provision of production equipment and 40% of which was agreed to be contributed by Huaqin Rubber through provision of land and factory. The production scale is estimated to be 50,000 tonnes of steel cords. As one or more of the applicable percentage ratios in respect of the Investment Agreement exceeds 5% and all of the percentage ratios are less than 25%, the entering into of the Investment Agreement constitutes a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. For details, please refer to the announcement of the Group dated 27 September 2023.

Save as disclosed herein, the Group had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the year ended 31 December 2023 and 31 December 2022 respectively.

HUMAN RESOURCES

As at 31 December 2023, the Group had approximately 8,700 full time employees (31 December 2022: approximately 7,400). Total staff costs including directors’ remuneration for the year ended 31 December 2023 was RMB1,085.2 million (2022: RMB905.8 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, major operating subsidiaries including Jiangsu Xingda, 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.*) (“Shandong Xingda”) and Taizhou Xingda Specialized Wires Co., Ltd. (“Taizhou Xingda”) contribute 2% of the total salary of staff (“Union Fee”) to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the year ended 31 December 2023, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB19.1 million (2022: RMB20.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES – CONTINUED

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

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

In 2010, 5,000,000 shares of the Company (the “First Batch Shares”) were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the “Second Batch Shares”) were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the “Third Batch Shares”). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the “Fourth Batch Shares”). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the “Fifth Batch Shares”). In 2020, 732,018 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. In 2021, 665,471 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. For the year ended 31 December 2021, 102,000 Fourth Batch Shares were unvested and added to the Fifth Batch Shares. As at 31 December 2023, the balance of the Fifth Batch Shares were 2,139,665 shares.

As at 31 December 2023, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares, the Fourth Batch Shares and one-third of the Fifth Batch Shares have been vested with selected employees. The remaining 2,139,665 Fifth Batch Shares are expected to be vested with selected employees in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Central Economic Work Conference held in December 2023 pointed out that the basic trend of the domestic economy's recovery and improvement remains unchanged in the long run. It emphasized the need to adhere to the general principle of seeking progress while ensuring stability in 2024, coordinate the expansion of domestic demand with the deepening of supply-side structural reforms, and promote high-quality development. The Group continues to hold an optimistic view on the development of the radial tire cord industry in the context of active domestic economy, rapid rise in logistics demand, and increased financing support for major projects. Additionally, the National People's Congress and the Chinese People's Political Consultative Conference were convened in Beijing in March 2024. New energy vehicles have become a focus of the sessions, with various provincial governments mentioning the new energy vehicle industry in their work plans, including expanding the industrial chain and stimulating consumption, which is conducive to promoting further industry development.

According to data from CAAM, China's production and sales of new energy vehicles reached 9.587 million and 9.495 million respectively in 2023, with year-on-year increases of 35.8% and 37.9% respectively, and a market share of 31.6%, up by 5.9 percentage points from the same period in 2022. It is believed that the rapid development of new energy vehicles will bring new opportunities for radial tire cords. Meanwhile, the demand in overseas market remains strong, and the decline in raw material and freight rates also facilitates substantial growth in overseas markets.

Looking ahead, Xingda will closely monitor national policies and global economic developments, adjust global strategic deployment in a timely manner, and adhere to the development principle of seeking progress while maintaining stability. It strives to improve product quality and R&D innovation capability, enhance product competitiveness, promote deep integration of industrialization and information technology to fully explore the potential of the domestic market, and actively expand markets in Europe, America, India, and Southeast Asia. As a leading enterprise in radial tire cords, Xingda will continue to lead the industry's development in 2024, provide consumers and the market with higher-end quality products, and help accelerate industrial transformation and upgrading in the rubber industry.



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 74, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He is the chairman of each of the nomination committee and the manufacturing and operations committee of the Company, and a member of each of the executive committee and investment and international development committee of the Company. He has also been a director of Faith Maple International Ltd. ("Faith Maple") since 16 June 2004, a director of 興達國際(上海)特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.*) ("Xingda International (Shanghai)") since 18 September 2006, a director of 江蘇興達特種金屬複合線有限公司 (Jiangsu Xingda Special Cord Co., Ltd.*) ("Xingda Special Cord") since 13 June 2007 and a director of 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.*) ("Shandong Xingda") since 27 June 2011. Both Faith Maple and Xingda International (Shanghai) are wholly-owned subsidiaries of the Company whereas Xingda Special Cord is a non-wholly owned subsidiary of the Company. He joined Xingda Steel Tyre Cord Group, the predecessor of 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.*) ("Jiangsu Xingda") since May 1994 and has been a director of Jiangsu Xingda since its establishment in 1998. He is also the sole director of Great Trade Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Liu was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by the State Council in 2005. He was recognized as 中國橡膠工業科學發展帶頭人 (Leader in Technology Development in China Rubber Industry*) by the China Rubber Industry Association in April 2005 and was awarded 科技進步獎一等獎 (the Technology Improvement Award (First Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by 中國石油和化學工業協會 (China Petroleum and Chemical Industry Association*) in December 2003 and 全國五一勞動節獎章 (the National 1 May Labor medal*) by 中華全國總工會 (All China Federation of Trade Unions*) in April 2003. He is a senior engineer. Mr. Liu has more than 28 years of experience in the radial tire cord manufacturing industry. He is the father of Mr. Liu Xiang and the father-in-law of Mr. Hang Youming, who are executive Directors of the Company.

Mr. LIU Xiang (劉祥), aged 47, has been an executive Director since August 2005. He is a member of the manufacturing and operations committee of the Company. He has also been a director of Xingda International (Shanghai) since 18 September 2006 and a director of Xingda Special Cord since 13 June 2007. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. He is also the sole director of In-Plus Limited, a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan*) of 中國人民解放軍 (the People's Liberation Army*) in 2004. In 2009, he graduated from Fudan University with a master's degree in business administration. Mr. Liu has approximately 28 years of experience in the radial tire cord manufacturing industry. He is the son of Mr. Liu Jinlan, an executive Director, and the brother-in-law of Mr. Hang Youming, an executive Director.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS – CONTINUED

Mr. ZHANG Yuxiao (張宇曉), aged 54, has been an executive Director and Chief Financial Officer of the Company since August 2005. He is the chairman of each of the executive committee and investment and international development committee of the Company. He has also been a director of Xingda Special Cord since 13 June 2007 and a director of Shandong Xingda since 27 June 2011. He was a director of Jiangsu Xingda from 25 January 2003 to 5 February 2024 and a director of Xingda International (Shanghai) from 18 September 2006 to 11 July 2013. He is responsible for accounting and finance and international market development. From 1995 to 2000, he was the vice president of Clemente Capital (Asia) Limited and was responsible for investment management. Mr. Zhang obtained a bachelor's degree in sciences from Fudan University in July 1991. Mr. Zhang has more than 23 years of experience in the radial tire cord manufacturing industry.

Mr. Hang Youming (杭友明), aged 55, has been an executive Director of the Company since January 2024. He is serving as the vice president of Jiangsu Xingda, being responsible for sales and marketing of the Group. He joined Jiangsu Xingda Steel Cord Group Company* (江蘇興達鋼簾線集團公司), the predecessor of Jiangsu Xingda, in May 1994, holding a sales management position, and has been working for Jiangsu Xingda since its establishment in 1998. He has been a director of Jiangsu Xingda since 5 February 2021 and a director of Shandong Xingda since 27 June 2011. Mr. Hang has more than 20 years of experience in radial tire steel cord manufacturing. He was awarded as the Top Ten Marketing Stars in Industrial Enterprises Marketing* (工業企業營銷十大營銷明星) by the Taizhou Municipal People's Government* (泰州市人民政府) and won the Second Prize for Scientific and Technological Progress* (科技進步二等獎) from the China Petroleum and Chemical Industry Federation. Mr. Hang has more than 28 years of experience in the radial tire cord manufacturing industry. He is the son-in-law of Mr. Liu Jinlan, an executive Director, and the brother-in-law of Mr. Liu Xiang, an executive Director.

Ms. Wang Yu (王煜), aged 42, has been an executive Director of the Company since January 2024. She has obtained a master's degree in Public Administration and Management from National University of Singapore. Ms. Wang joined the Group in March 2023 and is currently serving as the general manager of the international sales headquarters of Jiangsu Xingda, responsible for management and coordination of international sales. Ms. Wang was elected as a member of the Guangzhou Municipal Committee of the China Democratic League in July 2016, a member of the 13th Guangzhou Municipal Committee of the Chinese People's Political Consultative Conference in January 2017. Ms. Wang has many years of experience in the automotive and tire industries. Prior to joining the Group, Ms. Wang worked in Guangzhou Automobile Group Co., Ltd. and Guangzhou Wanli Group* (廣州萬力集團有限公司), holding management and senior executive positions.

Mr. Wang Jin (王進), aged 44, has been an executive Director of the Company since January 2024. He is a senior economist and has joined the Group since 2004. He graduated from Jilin University in January 2016, majoring in finance. He worked as an accounting supervisor in Xinghua Dainan sub-branch of China Construction Bank Corporation* (中國建設銀行股份有限公司興化戴南支行) from August 2001 to February 2004. He later joined Jiangsu Xingda and served as (i) an accounting supervisor from March 2004 to December 2004; (ii) a financial supervisor from January 2005 to June 2006; and (iii) has been the director of the finance department since 2006. Mr. Wang has engaged in financial and accounting management work for more than 20 years, with rich experiences in national finance, tax laws and regulations. He has made significant contributions to the finance management of the Group and obtained various awards from governmental authorities in the PRC, including "2019 Special Contribution Award for Attracting Investment"* (2019年度招商引資特別貢獻獎) from Xinhua Municipal People's Government* (興化市人民政府) in 2020.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 67, has been an independent non-executive Director since August 2005. He is the chairman of each of the audit committee and remuneration and management development committee of the Company, and a member of the nomination committee of the Company. Mr. Koo has many years of experience in investment banking and professional accounting. Mr. Koo was the independent non-executive director of Good Friend International Holdings Inc. ("Good Friend") from December 2005 to 9 January 2022 (in respect of Good Friend, the withdrawal of the listing of the shares of Good Friend on the Stock Exchange became effective on 14 December 2021 and the withdrawal of the listing of the Taiwan depository receipts on the Taiwan Stock Exchange became effective on 13 December 2021). Mr. Koo serves currently as an independent non-executive director of Li Ning Company Limited and Winfull Group Holdings Limited (all of which are companies listed on the Main Board of the Hong Kong Stock Exchange). While Mr. Koo has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that he is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as he has displayed his competence in serving as an independent non-executive director in various public listed companies. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States of America.

Mr. Luo Tiejun (駱鐵軍), aged 65, was appointed as an independent non-executive Director on 8 June 2023 and resigned on 3 April 2024, during which he was also a member of each of the audit committee and the remuneration and management development committee of the Company. He served in various positions in the metallurgy industry between 1991 and 2008. He was the deputy Chief Economist of Wugang Group in 2008 to 2009. From April 2009 to March 2019, he joined the Ministry of Industry and Information Technology and served in various positions. He has acted as the Vice Chairman of China Iron & Steel Association since July 2019. With substantial experience in the industry, he is able to exercise independent and professional judgement in relation to matters and affairs of the Company. He graduated with a master's degree in pressure processing from the University of Science and Technology Beijing.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Ms. XU Chunhua (許春華), aged 80, has been an independent non-executive Director since August 2005. She is a member of each of the audit committee and nomination committee of the Company. She has served in various positions in Beijing Research and Design Institute of Rubber Industry since 1965. She was the deputy dean in charge of technology research and development between 1995 and 2003. She was also the person in charge of the “高速、低滾動阻力子午線輪胎系列產品生產技術開發” (Development of Production Techniques for Radial Tyre Products of High Speed and Low Rolling Resistance*) project, one of the “九五”國家重點科技攻關項目 (Key Technologies Research and Development Program for the Ninth “Five-Year Plan”*) in 1995. Ms. Xu has been the deputy chairman of the China Rubber Industry Association since 2004. She has been the head of 骨架材料專業委員會 (the skeleton materials committee*) and 橡膠助劑專業委員會 (the rubber chemicals committee*) since 2002 and 2001, respectively. Ms. XU has been the Honorary Chairman of 中國橡膠協會橡膠助劑專業 (the rubber chemicals profession of China Rubber Association*) since October 2016. Since May 2007, she has served as an independent director of China Sunshin Chemical Holdings Ltd., a company listed on the Singapore Exchange Limited. Since December 2019, Ms. Xu has served as an independent director of 賽輪集團股份有限公司 (Sailun Group Co., Ltd.*), a company listed on the Shanghai Stock Exchange. While Ms. Xu has served as an independent non-executive Director for more than 9 years since August 2005, the Board believes that she is able and will continue to exercise independent and professional judgement in relation to matters and affairs of the Company, as she has displayed her competence in serving as an independent director in another public listed company. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 56 years of experience in technology research relating to rubber chemicals.

COMPANY SECRETARY

Mr. CHENG Kam Ho (鄭錦豪), aged 48, is the company secretary of the Company. Mr. Cheng joined the Company as a member of its senior management in July 2008. He has more than 24 years of experience in finance, accounting and auditing. Mr. Cheng worked in accounting firms in Hong Kong from July 1998 to June 2008 before joining the Company. He has been a member of the Hong Kong Institute of Certified Public Accountants since 19 July 2005. Mr. Cheng graduated from The Hong Kong Polytechnic University with the degree of Bachelor of Arts in Accountancy in 1998.

* denotes an unofficial English translation of a Chinese name

DIRECTORS' REPORT

The directors of the Company ("Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of radial tire cords, bead wires and other wires. The Company acts as an investment holding company. The principal activities of the principal subsidiaries of the Company are set out in note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 153 of the annual report.

A final dividend of 15.0 HK cents per share for the year ended 31 December 2022 was paid to the shareholders of the Company during the year ended 31 December 2023.

The Board has recommended the payment of a final dividend of 13.0 HK cents (equivalent to approximately RMB11.8 cents) per share for the financial year ended 31 December 2023. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on Friday, 26 July 2024 to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 6 June 2024.

EVENT AFTER THE REPORTING PERIOD

Save as note 43 to the consolidated financial statements, no other significant event affecting the Group after the financial year ended 31 December 2023 and up to the date of this report.

TAX RELIEF

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

In order to sustain a stable development of the Group, we understand that a good and close relationship with employees, customers and suppliers is one of the key factors to achieve it. Details of the Group's key relationships with the employees, customers and suppliers for the year ended 31 December 2023 is set out in the section headed "2023 Environmental, Social and Governance (ESG) Report" on page 64 to 147 of this annual report.

DIVIDEND POLICY

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

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

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

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

BUSINESS REVIEW

The business review of the Group including a discussion and analysis of the Group's performance for the year ended 31 December 2023 is set out in the section headed Management Discussion and Analysis on pages 6 to 15 of this annual report. The Group's future business development and prospect are provided in the Chairman's Statement on pages 4 and 5 and the Management Discussion and Analysis on pages 6 to 15 of this annual report. Description of uncertainties and possible risks that the Group may be facing can be found in the Chairman's Statement on pages 4 and 5 and the Management Discussion and Analysis on pages 6 to 15 of this annual report.



DIRECTORS' REPORT

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China and Thailand while the Company itself is listed on the Stock Exchange. The Group has complied with all the relevant laws and regulations in China, Thailand and Hong Kong during the year ended 31 December 2023.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's environmental policies and performance for the year ended 31 December 2023 are set out in the section headed "2023 Environmental, Social and Governance Report" on pages 64 to 147 of this annual report.

PERMITTED INDEMNITY PROVISION

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 May 2024 to Wednesday, 29 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 29 May 2024, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 23 May 2024.

The proposed final dividend for the year ended 31 December 2023 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 29 May 2024. The register of members of the Company will be closed from Wednesday, 5 June 2024 to Thursday, 6 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 4 June 2024.

DONATION

During the year, the Group made charitable donations of RMB10,700.

PENSION SCHEME

Details of the retirement benefit scheme contributions of the Group during the year ended 31 December 2023 are set out in note 36 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year ended 31 December 2023.

SHARE AWARD SCHEME

Purpose and Participants of the Scheme

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

In year 2023, the participants of the Scheme include three of the executive Directors, namely Mr. Liu Jinlan, Mr. Liu Xiang and Mr. Zhang Yuxiao, and one of the independent non-executive Directors, namely Mr. Koo Fook Sun Louis, the senior management personnel, and core technical personnel and key management personnel of the Company and its subsidiaries who provide a significant impact on the Group's overall operation and development.

As at the date of the Annual Report, the total number of Company's shares awards had been granted but not yet vested under the Scheme was approximately 18,774,667, representing 1.0% of the total issued shares of the Company.



DIRECTORS' REPORT

SHARE AWARD SCHEME – CONTINUED

Purpose and Participants of the Scheme – CONTINUED

According to the Scheme Rules, subject to terms of the Scheme Rules and the approval of the Board, the Remuneration Committee may, from time to time after taking into consideration recommendations and suggestions made by the chairman of the Board, at its discretion and subject to such terms and conditions as it may think fit, among other things (i) determine the aggregate number of awarded shares to be granted to all the Selected Employees in respect of each relevant financial year; and (ii) determine the number of awarded shares to be granted to each of the Selected Employees in respect of each relevant financial year out of the aggregate number of awarded shares to be granted in respect of such financial year as referred to in paragraph (i) above, and such awarded shares so granted to each Selected Employee shall constitute all or part of the annual remuneration (in whatever kind(s) or form(s)) in respect of the relevant financial year payable to such Selected Employee as contemplated under his employment agreement or service agreement with the relevant member of the Group, provided always that no award shall be made to any Selected Employee in respect of any financial year unless the Earnings Per Share (as defined below) of the Company for such financial year is a positive figure or unless such other condition(s) (if any) as determined or approved by the Board from time to time shall have been satisfied or unless otherwise determined by the Board. "Earnings Per Share" of the Company in respect of a financial year shall mean (i) the profit attributable to equity holders of the Company for that financial year divided by (ii) the weighted average number of ordinary shares of the Company in issue during that financial year.

Upon receiving the letter of grant from the Company setting out the number of shares awarded to him/her and relevant terms and conditions, the Selected Employee may accept the award by delivering to the Company a duly completed form of acceptance within the acceptance period specified in the said letter of grant, failing which such Selected Employee shall not become entitled to any Shares pursuant to that Award.

Vesting

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

SHARE AWARD SCHEME – CONTINUED

Vesting Limit

The total number of awarded shares to be vested in all Selected Employees in respect of each financial year shall not exceed 5 million Shares.

Unless otherwise determined by the Remuneration Committee and approved by the Board, the number of awarded shares to be granted to the Selected Employees in respect of each financial year shall be subject to the following ratio:

Executive Directors	60% ("Ratio A")
Non-executive Directors	10% ("Ratio B")
Other Employees (excluding the executive Directors and non-executive Directors)	30% ("Ratio C")

provided that in the event that any non-executive Director (including any independent non-executive Director) has notified the Company of his/her intention not to participate in the Scheme in respect of any financial year(s), (i) Ratio B in respect of any relevant Financial Year shall be reduced to such percentage and Ratio C in respect of such year shall be increased to such percentage as determined by the Remuneration Committee and approved by the Board from time to time, and (ii) Ratio A in respect such year shall remain at 60%, unless otherwise determined by the Remuneration Committee and approved by the Board.

The Scheme does not constitute a share option scheme and no new share of the Company will be granted under the Scheme accordingly. Instead, the vesting periods of the awards under the Scheme are stated in the table of the movements in the number of awarded shares outstanding during the year 2023 which are set out in the note 33 to the consolidated financial statements.

In year 2023, no amount was payable on application or acceptance of award.

As at the date of this report, the vesting periods for different batches of granted and unvested restricted shares were different, ranging from 22 August 2019 to 31 March 2027.

Remaining life of the Scheme

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

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



DIRECTORS' REPORT

SHARE AWARD SCHEME – CONTINUED

Remaining life of the Scheme – Continued

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

Grantee/Category	Grant date	Vesting period	Unvested awards as at 1 January 2023	Granted during the year ended 31 December 2023	Vested during the year ended 31 December 2023 (note 3)	Forfeited during the year ended 31 December 2023 (note 3)	Lapsed during the year ended 31 December 2023	Cancelled during the year ended 31 December 2023	Unvested awards as at 31 December 2023
Directors									
– Liu Jinlan	22 August 2019 (note 1)	22 August 2019 to 31 March 2024	1,600,000	–	–	–	–	–	1,600,000
– Liu Jinlan	30 November 2021 (note 2)	30 November 2021 to 31 March 2027	3,825,000	–	–	–	–	–	3,825,000
– Liu Xiang	22 August 2019 (note 1)	22 August 2019 to 31 March 2024	800,000	–	–	–	–	–	800,000
– Liu Xiang	30 November 2021 (note 2)	30 November 2021 to 31 March 2027	1,875,000	–	–	–	–	–	1,875,000
– Tao Jinxiang	22 August 2019 (note 1)	22 August 2019 to 31 March 2024	800,000	–	–	(800,000)	–	–	–
– Tao Jinxiang	30 November 2021 (note 2)	30 November 2021 to 31 March 2027	1,875,000	–	–	(1,875,000)	–	–	–
– Zhang Yuxiao	22 August 2019 (note 1)	22 August 2019 to 31 March 2024	800,000	–	–	–	–	–	800,000
– Zhang Yuxiao	30 November 2021 (note 2)	30 November 2021 to 31 March 2027	1,875,000	–	–	–	–	–	1,875,000
– Koo Fook Sun, Louis	22 August 2019 (note 1)	22 August 2019 to 31 March 2024	67,000	–	–	–	–	–	67,000
– Koo Fook Sun, Louis	30 November 2021 (note 2)	30 November 2021 to 31 March 2027	150,000	–	–	–	–	–	150,000
– William John Sharp	22 August 2019 (note 1)	22 August 2019 to 31 March 2024	67,000	–	–	(67,000)	–	–	–

SHARE AWARD SCHEME – CONTINUED

Remaining life of the Scheme – Continued

Grantee/Category	Grant date	Vesting period	Unvested awards as at 1 January 2023	Granted during the year ended 31 December 2023	Vested during the year ended 31 December 2023 (note 3)	Forfeited during the year ended 31 December 2023 (note 3)	Lapsed during the year ended 31 December 2023	Cancelled during the year ended 31 December 2023	Unvested awards as at 31 December 2023
– William John Sharp	30 November 2021 (note 2)	30 November 2021 to 31 March 2027	150,000	–	–	(150,000)	–	–	–
Other grantees (employees) in aggregate	22 August 2019 (note 1)	22 August 2019 to 31 March 2024	2,682,000	–	–	–	–	–	2,682,000
	30 November 2021 (note 2)	30 November 2021 to 31 March 2027	5,250,000	–	–	–	–	–	5,250,000

Notes:

1. The closing price of Shares immediately before the grant date of 22 August 2019 (i.e. 21 August 2019) was HK\$2.03 per share. The fair value of the awarded shares as at 22 August 2019 was HK\$1.41 per share.
2. The closing price of Shares immediately before the grant date of 30 November 2021 (i.e. 29 November 2021) was HK\$1.64 per share. The fair value of the awarded shares as at 30 November 2021 was HK\$1.11 per share.
3. No awards were vested during the financial year ended 31 December 2023. 2,892,000 awards were forfeited resulting from the retirement of two directors of the Company during the financial year ended 31 December 2023.

Voting power of the Trustee

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

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the consolidated financial statements, is set out on page 244 of this annual report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year ended 31 December 2023 are set out in notes 16 and 19 to the consolidated financial statements, respectively.

USE OF PROCEEDS

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

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

DIRECTORS' REPORT

USE OF PROCEEDS – CONTINUED

On 30 August 2023, the Board resolved to change the allocation of unutilized IPO Proceeds and the expected timeline of full utilisation (the "Reallocation"). Such Reallocation, as set out in the Company's announcement dated 30 August 2023, and the status of the use of net proceeds as at 31 December 2023 and the expected timeline of the use of the unutilised net proceeds are set out below:

	Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006	Revised proposed uses of fund as stated in the announcement dated 30 August 2023	Actual utilized funds from 31 August 2023 to 31 December 2023	Balance of net proceeds as at 31 December 2023	Expected timeline for utilising the unutilised net proceeds
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	
Technical advancement and expansion of the production capacity of the production facilities	–	291,939	291,939	–	On or before 31 December 2025
Expansion of the production capacity of the production facilities	550,000	–	–	–	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	–	–	–	–
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	–	–	–
Set-up of international development departments	180,000	–	–	–	–
Working capital	37,000	73,000	73,000	–	On or before 31 December 2025
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u>1,087,000</u>	<u>364,939</u>	<u>364,939</u>	<u>–</u>	

The Group applied all of the IPO Proceeds as at 31 December 2023, in accordance with the Reallocation disclosed in the Company's announcement dated 30 August 2023 as shown above.

The net proceeds from the placing and top-up subscription arrangement completed in September 2010 amounted to approximately HKD740,700,000. As at 31 December 2023, all the net proceeds were utilised for enhancing the production facilities of an indirectly wholly owned subsidiary and financing the working capital.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on pages 156 to 157 of this annual report and note 42 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution represent the share premium, capital contribution reserve, capital redemption reserve and retained profits which in aggregate amounted to approximately RMB1,118.7 million (2022: RMB1,050.7 million). Under the Companies Law, Cap. 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2023 are set out in note 28 to the consolidated financial statements and the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors:

Mr. LIU Jinlan (<i>Chairman</i>)	
Mr. LIU Xiang	
Mr. TAO Jinxiang	(Retired on 8 June 2023)
Mr. ZHANG Yuxiao	
Mr. HANG Youming	(Appointed on 15 January 2024)
Mr. WANG Jin	(Appointed on 15 January 2024)
Ms. WANG Yu	(Appointed on 15 January 2024)

Independent Non-executive Directors:

Mr. KOO Fook Sun, Louis	
Mr. William John SHARP (<i>Vice Chairman</i>)	(Retired on 8 June 2023)
Mr. LUO Tiejun	(Appointed on 8 June 2023 and resigned on 3 April 2024)
Ms. XU Chunhua	

Pursuant to Articles 86 and 87 of the Articles of Association, Mr. Koo Fook Sun Louis, Mr. Zhang Yuxiao, Ms. Xu Chunhua, Mr. Hang Youming, Mr. Wang Jin and Ms. Wang Yu will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The biographical details of the Directors and senior management of the Group are set out on pages 16 to 19 of this annual report.

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

In compliance with Rule 3.09D of the revised Listing Rules which took effect on 31 December 2023, Mr. Hang Youming, Mr. Wang Jin and Ms. Wang Yu, who were appointed as executive Directors on 15 January 2024, obtained the legal advice referred to in Rule 3.09D on the same date. Each of Mr. Hang Youming, Mr. Wang Jin and Ms. Wang Yu has confirmed that he/she understood his/her obligations as a director of the Company.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS – CONTINUED

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

RELATED PARTY TRANSACTIONS

Certain related party transactions were entered into by the Group during the year ended 31 December 2023, the details of which are set out in note 37 to the consolidated financial statements. None of these related party transactions constitutes connected transaction or continuing connected transaction which is required to be disclosed under the Listing Rules. Save as disclosed herein, no other related party transactions were entered into by the Group during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of such controlling shareholder's subsidiaries subsisted during the year ended 31 December 2023. There was also no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year ended 31 December 2023.

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, were as follows:

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

Name of Director	Capacity	Number of ordinary shares of the Company	Approximate percentage of issued share capital of the Company as at 31 December 2023 <i>(note 5)</i>
Liu Jinlan <i>(notes 1 & 2)</i>	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	51.225%
Liu Xiang <i>(notes 1 & 3)</i>	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	51.225%
Zhang Yuxiao <i>(notes 1 & 4)</i>	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	51.225%
Koo Fook Sun, Louis <i>(note 6)</i>	Beneficial owner	510,824	0.031%
Xu Chunhua	Beneficial owner	50,000	0.003%

DIRECTORS' REPORT

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

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

Notes:

1. Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming ("Five Parties") entered into an agreement dated 29 August 2005 (as supplemented by supplemental agreements dated 15 November 2005 and 29 November 2022) in relation to the beneficial interests in Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (the "Five BVI Companies") (the "Five Parties' Agreement"). Pursuant to the Five Parties' Agreement, (i) the interests and rights of the Five BVI Companies and the interests and rights in the Shares held by the Five Parties through the Five BVI Companies are held by the Five Parties for their own benefit and for the benefit of the other members ("ESC Members") of 江蘇興達鋼簾線股份有限公司職工持股會 (Employee Shareholding Committee of Jiangsu Xingda Steel Tyre Cord Co., Ltd.*) (the "Employee Shareholding Committee") from time to time (including the Five Parties as at the date of this report) with reference to the proportion set out in the Five Parties' Agreement and as amended from time to time; and (ii) to the extent any Shares were acquired by any of the Five Parties and/or the Five BVI Companies using the funds provided by such member of the Five Parties on or after 30 August 2005, such acquired Shares (together with all rights and benefits accruing and attaching thereto) shall be for the benefit of such member of the Five Parties only.

On 29 November 2022, the Five BVI Companies, the Five Parties, Widen Success Holdings Limited ("Widen Success") and Mr. Liu Tao entered into an agreement (the "AIC Agreement"), pursuant to which the parties agreed, confirmed and acknowledged that in respect of all the Shares held by the Five BVI Companies, the Five Parties, Widen Success and Mr. Liu Tao from time to time, whether for their own benefit or for the benefit of the other ESC Members, they shall reach a consensus before voting on any of the matters to be resolved at the general meetings of the Company and shall vote unanimously on the resolutions proposed at the general meetings of the Company. Mr. Liu Tao further agreed and confirmed that he shall agree with Mr. Liu Jinlan when reaching a consensus among the Five Parties and himself. The AIC Agreement took effect on 10 March 2023, being the final settlement date for the conditional voluntary cash partial offer made by CLSA Limited on behalf of the joint offerors to the qualifying shareholders to acquire a maximum of 80,000,000 offer shares of the Company as disclosed in the composite document dated 27 January 2023 jointly issued by the relevant joint offerors and the Company.

The Company was informed that (i) Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Perfect Sino Limited and Power Aim Limited had unilaterally terminated the AIC Agreement with effect from 5 January 2024 by giving a termination notice to the other parties; and (ii) a party to the AIC Agreement has thereafter taken legal actions against Mr. Tao Jinxiang and Mr. Zhang Yuxiao in respect of the said termination. The Company will make further disclosure(s) to keep its shareholders and potential investors informed of any updates as and when appropriate.

2. Mr. Liu Jinlan held 49,039,275 shares in his own name as at 31 December 2023. Mr. Liu Jinlan held as to 100% of the issued share capital of Great Trade Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 31 December 2023, Great Trade Limited held 329,104,883 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 AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 above for details. Further, Mr. Liu Jinlan is a grantee under the share award scheme of the Company adopted on 4 September 2009 ("Share Award Scheme"). Upon fulfilment of the relevant vesting conditions and assuming all shares of the Company ("Shares") awarded under the Share Award Scheme ("Award Shares") granted to him are vested in full, Mr. Liu Jinlan will become interested in a further 5,425,000 Shares.

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

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

Notes: – Continued

3. Mr. Liu Xiang held 18,932,299 shares in his own name as at 31 December 2023. Mr. Liu Xiang held as to 100% of the issued share capital of In-Plus Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 31 December 2023, In-Plus Limited held 155,114,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the AIC Agreement, and was deemed to be interested in shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 above for details. Further, Mr. Liu Xiang is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Liu Xiang will become interested in a further 2,675,000 Shares.
4. Mr. Zhang Yuxiao held 3,458,000 shares in his own name as at 31 December 2023. Mr. Zhang Yuxiao held as to 100% of the issued share capital of Power Aim Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 31 December 2023, Power Aim Limited held 52,725,000 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. As at 31 December 2023, Mr. Zhang Yuxiao was also a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 above for details. Further, Mr. Zhang Yuxiao is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Zhang Yuxiao will become interested in a further 2,675,000 Shares.
5. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2023, i.e. 1,662,445,199 shares.
6. Mr. Koo Fook Sun, Louis is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Koo Fook Sun, Louis will become interested in a further 217,000 Shares.



DIRECTORS' REPORT

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

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

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 31 December 2023
Liu Jinlan	Interest of controlled corporation (note 1)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	111,499,998	3.90%
Liu Xiang	Interest of controlled corporation (note 2)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	72,000,000	2.52%
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,669	0.000058%

Notes:

- Mr. Liu Jinlan is the general partner of 泰州金澤企業管理合夥企業(有限合夥) (Taizhou Jinze Corporate Management Partnership Corporation (Limited Partnership)*) which held 99,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2023. Further, Mr. Liu Jinlan held 80% of the equity interest in 上海上麒升投資有限公司 (Shanghai Shang Qi Sheng Investment Co., Ltd.) which in turn held 76% of the equity interest in 興化市興達綉園酒店有限公司 (Xinghua Xingda Xiuyuan Hotel Co., Ltd.) which held 12,499,998 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2023.
- Mr. Liu Xiang is the general partner of 泰州業祥企業管理合夥企業(有限合夥) (Taizhou Yexiang Corporate Management Partnership Corporation (Limited Partnership)*) which held 72,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executive's interests and short positions in shares, underlying shares and debentures" above and for the share award scheme adopted by the Company, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share award scheme for the year ended 31 December 2023 are set out in note 33 to the consolidated financial statements.

DEED OF NON-COMPETITION

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

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

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

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



DIRECTORS' REPORT

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

As at 31 December 2023, to the best knowledge of the Directors, the interests and short positions of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register 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 issued share capital of the Company as at 31 December 2023 <i>(note 5)</i>
Great Trade Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
In-Plus Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
Perfect Sino Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
Power Aim Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
Wise Creative Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%

DIRECTORS' REPORT

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

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

Name of shareholder	Capacity	Number of ordinary shares	Long position/ Short position	Approximate percentage of issued share capital of the Company as at 31 December 2023 <i>(note 5)</i>
Widen Success Holdings Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
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 <i>(note 1)</i>	851,582,457	Long position	51.22%
Hang Youming	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO <i>(note 2)</i>	851,582,457	Long position	51.22%
Liu Tao	Interest of a controlled corporation, a concert party to an agreement to buy shares described ins.317(1)(a) of the SFO <i>(note 3)</i>	851,582,457	Long position	51.22%
FIL Limited	Interests of controlled corporations <i>(note 4)</i>	121,443,387	Long position	7.31%
Pandanus Associates Inc.	Interests of controlled corporations <i>(note 4)</i>	121,443,387	Long position	7.31%
Pandanus Partners L.P.	Interests of controlled corporations <i>(note 4)</i>	121,443,387	Long position	7.31%

DIRECTORS' REPORT

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

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

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Tao Jinxiang held 10,264,000 shares in his own name as at 31 December 2023. Mr. Tao Jinxiang held as to 100% of the issued share capital of Perfect Sino Limited ("Perfect Sino") for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement (each as defined in the section headed "Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures" above). As at 31 December 2023, Perfect Sino held 116,259,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino. Mr. Tao Jinxiang is a party to the AIC 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, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 under the section headed "Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures – (1) Long positions in shares, underlying shares and debentures of the Company" above for details.
2. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 10,000,001 shares in his own name as at 31 December 2023. Mr. Hang Youming held as to 100% of the issued share capital of Wise Creative Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement (each as defined in the section headed "Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures" above). As at 31 December 2023, Wise Creative Limited held 87,735,999 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 under the section headed "Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures – (1) Long positions in shares, underlying shares and debentures of the Company" above for details. Further, Mr. Hang Youming is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Hang Youming will become interested in a further 2,675,000 Shares.
3. Mr. Liu Tao held as to 100% of the issued share capital of Widen Success Limited. As at 31 December 2023, Widen Success Limited held 5,500,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Tao was deemed to be interested in the shares held by Widen Success Limited. Mr. Liu Tao is a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Five BVI Companies (as defined below) and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 under the section headed "Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures – (1) Long positions in shares, underlying shares and debentures of the Company" above for details.

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: – *Continued*

4. Pandanus Associates Inc. held 100.00% of Pandanus Partners L.P., which in turn owned 39.60% of the issued share capital of FIL Limited. FIL Limited owned 100% of the issued share capital of FIL Financial Services Holdings Limited, which in turn owned (i) 100% of the issued share capital of FIL Investment Management (Singapore) Limited; (ii) 100% of the issued share capital of FIL Holdings (UK) Limited which held 100% of FIL Investment Services (UK) Limited; and (iii) 100% of the issued share capital of FIL Investment Management (Hong Kong) Limited. As at 31 December 2023, (i) FIL Investment Management (Singapore) Limited held 69,849,297 shares of the Company; and (ii) FIL Investment Services (UK) Limited and FIL Investment Management (Hong Kong) Limited held 51,594,090 shares of the Company, with voting power and investment discretion respectively. For the purpose of Part XV of the SFO, (i) Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Financial Services Holdings Limited are deemed to be interested in the shares in the Company held by FIL Investment Management (Singapore) Limited and FIL Investment Management (Hong Kong) Limited; and (ii) Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited, FIL Financial Services Holdings Limited and FIL Holdings (UK) Limited are deemed to be interested in the shares in the Company held by FIL Investment Services (UK) Limited. For the purpose of Part XV of the SFO, Pandanus Associates Inc. and Pandanus Partners L.P. are deemed to be interested in the shares of the Company held by FIL Limited.
5. The percentages disclosed above were based on the total number of issued shares of the Company as at 31 December 2023, i.e. 1,662,445,199 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 31 December 2023 which are required to be recorded in the register maintained under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Human Resources Department on the basis of their merit, qualifications and competence and reviewed by the executive Directors. The Company operates a share award scheme, details of which are set out in note 33 to the consolidated financial statements.



DIRECTORS' REPORT

EMOLUMENT POLICY – CONTINUED

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

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

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

HIGHEST PAID INDIVIDUALS

The relevant information of the five individuals with the highest remuneration in the Group for the year ended 31 December 2023 is disclosed in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group contributed approximately 30% of the Group’s total revenue and the largest customer contributed approximately 9% of the Group’s total revenue for the year ended 31 December 2023. The five largest suppliers represented approximately 91% of the Group’s total purchases and the largest supplier represented approximately 53% of the Group’s total purchases for the year ended 31 December 2023.

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

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

LIU Jinlan

Chairman

25 March 2024



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023, except for the following:–

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

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

THE BOARD

Composition and responsibilities

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD – CONTINUED

Composition and responsibilities – *Continued*

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

The Board currently comprises eight members, including six executive Directors and two independent non-executive Directors. The executive Directors are Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Mr. Wang Jin and Ms. Wang Yu. The independent non-executive Directors are Mr. Koo Fook Sun, Louis and Ms. Xu Chunhua. The biographical details of the Directors are set out on pages 16 to 19 of the annual report. Mr. Liu Jinlan, being the chairman of the Board and an executive Director, is the father of Mr. Liu Xiang, an executive Director and the father-in-law of Mr. Hang Youming. Save for the aforesaid, there is no financial, business, family or other material or relevant relationships among the members of the Board.

Following the resignation of Mr. Luo Tiejun as an independent non-executive Director on 3 April 2024, the Company has not been in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the Board must include at least three independent non-executive directors; (ii) Rule 3.10A of the Listing Rules, which stipulates that the number of independent non-executive directors shall represent at least one-third of the Board; and (iii) Rule 3.21 of the Listing Rules, which stipulates that the audit committee must comprise a minimum of three members. The Company is in the process of identifying suitable candidate(s) to fill the vacancy, and will use its best endeavors to ensure a suitable candidate to be appointed as soon as practicable and within three months from the resignation of Mr. Luo Tiejun. The Company will make further announcement(s) in relation to the appointment of new independent non-executive Director(s) as and when appropriate in accordance with Listing Rules.

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

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

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



CORPORATE GOVERNANCE REPORT

THE BOARD – CONTINUED

Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals. For the year ended 31 December 2023, the Board held four meetings to discuss and approve various important matters. The table below sets out the attendance of each Director at the AGM and the meetings of the Board and other Board committees held during the year ended 31 December 2023:

	AGM	Board	Audit Committee	Remuneration and Management Development Committee	Nomination Committee	Executive Committee	Manufacturing and Operations Committee	Investment and International Development Committee
Executive Directors								
Mr. LIU Jinlan	1/1	4/4	N/A	N/A	2/2	1/1	1/1	1/1
Mr. LIU Xiang	1/1	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Mr. TAO Jinxiang	0/1	0/1	N/A	N/A	N/A	N/A	0/0	0/0
Mr. ZHANG Yuxiao	1/1	4/4	N/A	N/A	N/A	1/1	N/A	1/1
Independent non-executive Directors								
Mr. KOO Fook Sun, Louis	1/1	4/4	4/4	1/1	2/2	N/A	N/A	N/A
Mr. William John SHARP	0/1	1/1	1/1	1/1	N/A	N/A	N/A	N/A
Mr. LUO Tiejun	N/A	2/3	2/3	0/0	N/A	N/A	N/A	N/A
Ms. XU Chunhua	1/1	4/4	4/4	N/A	2/2	N/A	N/A	N/A

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD – CONTINUED

Meetings – *Continued*

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

Board independence

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

- a) During the period from 1 January 2023 to 7 June 2023 (both days inclusive), three out of all seven Directors are independent non-executive Directors and during the period from 8 June 2023 to 31 December 2023 (both days inclusive), three out of all six Directors are independent non-executive Directors, which fulfills the requirement of the Listing Rules that at least one-third of the Board members are independent non-executive Directors.
- b) The Audit Committee, Remuneration and Management Development Committee and Nomination Committee consists of certain independent non-executive Directors to ensure their independent views are available in the abovementioned committees.
- c) The Nomination Committee have assessed the independence of all the existing independent non-executive Directors during one of the Nomination Committee meetings held in 2023. No irregularities on the assessment result and it was presented to the Board for reference thereafter.
- d) Except for the assessment from the Nomination Committee, each independent non-executive Director is also required to actively inform the Company Secretary and other Board members as soon as practicable if there is any change in his/her personal particulars that may affect his/her independence.
- e) All Independent non-executive Directors are encouraged to freely express their own personal views in the Board meetings and the relevant Committee meetings which they participate in.
- f) All Independent non-executive Directors are required to submit a written confirmation to the Company on an annual basis to confirm the independence on each of them.
- g) All Independent non-executive Directors are entitled to seek, where necessary, advice from external independent professional bodies at the Company's expense.
- h) A Director (including the independent non-executive Directors) who has material interest in any contract, transaction or arrangement of the Group shall abstain from voting in the Board meetings for approving those contract, transaction or arrangement of the Group.



CORPORATE GOVERNANCE REPORT

THE BOARD – CONTINUED

Appointment and Re-election

Each of the independent non-executive Directors has signed a letter of appointment for a term of three years which is determinable by either party at any time by giving to the other not less than three months' prior written notice. Thereafter, the term shall continue subject to termination by either party by giving to the other not less than three months' prior written notice. From 1 January 2023 to 7 June 2023, all independent non-executive Directors have served the Company for more than 9 years. In accordance with the requirements of the Corporate Governance Code, Mr. Luo Tiejun was appointed as the independent non-executive Director and Mr. William John Sharp was retired as the independent non-executive Director respectively on 8 June 2023.

Pursuant to Article 86 and Article 87 of the Articles of Association of the Company, Mr. Koo Fook Sun, Louis, Mr. Zhang Yuxiao, Ms. Xu Chunhua, Mr. Hang Youming, Mr. Wang Jin and Ms. Wang Yu will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Training and continuous professional development

The Directors acknowledge the need to develop and refresh their knowledge and skills by participating in training and continuous professional development courses. During the year, the Company arranged and provided suitable in-house training courses for all Directors in relation to compliance with the new Corporate Governance and ESG requirements, recent cases on breach of the Listing Rules and points to note during the offer period of a partial offer. The training records kept and provided by the Directors in the year 2023 are as follows:

	Participating in in-house training courses
Executive Directors	
Mr. LIU Jinlan	Yes
Mr. LIU Xiang	Yes
Mr. TAO Jinxiang	No
Mr. ZHANG Yuxiao	Yes
Independent non-executive Directors	
Mr. KOO Fook Sun, Louis	Yes
Mr. William John SHARP	No
Mr. Luo Tiejun	Yes
Ms. XU Chunhua	Yes

CORPORATE GOVERNANCE REPORT

THE BOARD – CONTINUED

Training and continuous professional development – *Continued*

During the year ended 31 December 2023, the Company updated all Directors on the Company's monthly performance, position and prospects by providing them with financial data including monthly management accounts and production plan.

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

Indemnification of directors and officers

The Company has arranged for appropriate Directors' and officers' liability insurance throughout the year ended 31 December 2023 to indemnify the Directors and officers for their liabilities arising out of corporate activities. The insurance coverage and premium is reviewed on an annual basis.

BOARD COMMITTEES

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

Audit Committee

The Company established the Audit Committee on 23 August 2005. From 1 January 2023 to 7 June 2023, the Audit Committee consisted of three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua. From 8 June 2023 to 31 December 2023, the Audit Committee consisted of three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Luo Tiejun and Ms. Xu Chunhua. The chairman of the Audit Committee is Mr. Koo Fook Sun, Louis.



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Audit Committee – *Continued*

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Audit Committee – *Continued*

During the year ended 31 December 2023, the Audit Committee had four meetings and out of these, three meetings were held with the external auditor. During the meetings held, the Audit Committee had performed the following work:

- reviewing the audited financial statements for the year ended 31 December 2022 and the unaudited financial statements for the six months ended 30 June 2023;
- reviewing and discussing the management letter issued by the external auditor;
- recommending the Board on the remuneration and terms of engagement of the external auditor in respect of the auditing services for the year ended 31 December 2023;
- reviewing the 2022 Environmental, Social and Governance Report;
- reviewing any improprieties raised by the employees under the whistleblowing system regularly and ensuring proper independent investigation was followed; and
- reviewing the risk management and internal control systems of the Group.

On 25 March 2024, the Audit Committee met with a consulting firm to review the 2023 Environmental, Social and Governance Report and the Audit Committee met with an external auditor to review the audited financial statements for the year ended 31 December 2023.

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



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Remuneration and Management Development Committee

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

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

From 1 January 2023 to 7 June 2023, the Remuneration Committee consisted of two independent non-executive Directors, namely Mr. William John Sharp and Mr. Koo Fook Sun, Louis. During that time, the chairman of the Remuneration Committee was Mr. William John Sharp. From 8 June 2023 to 31 December 2023, the Remuneration Committee consisted of two independent non-executive Directors, namely Mr. Koo Fook Sun, Louis and Mr. Luo Tiejun. During that time, the chairman of the Remuneration Committee was Mr. Koo Fook Sun, Louis.

The Remuneration Committee met one time during the year ended 31 December 2023. A summary of work performed by the Remuneration Committee during the year is set out below:

- recommending to the Board on the remuneration packages of the Directors and senior management of the Group for the year ended 31 December 2023; and
- evaluating and making recommendations to the Board on the remuneration policy of the Directors and senior management of the Group for the year ended 31 December 2023 with reference to the remuneration package of the Board in 2022 and the Group’s estimated financial performance for the year ended 31 December 2023;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Remuneration and Management Development Committee – *Continued*

Subsequent to the year ended 31 December 2023, the Remuneration Committee held one meeting on 12 March 2024. At such meeting, the Remuneration Committee:

- considered the performance of the executive Directors and the Group and the total remuneration and compensation of the executive Directors for the year ended 31 December 2023;
- evaluating and making recommendations to the Board on the remuneration policy of the executive Directors and senior management of the Group for the year ending 31 December 2024 with reference to the remuneration package of the Directors in 2023 and the Group's estimated financial performance for the year ending 31 December 2024;
- resolved that the total remuneration and compensation of the Directors and senior management paid for the year ended 31 December 2023 was approved, ratified and recommended to the Board; and
- discussing and considering the vesting of share awards to the certain directors and employees of the Group upon the achievement of financial performance target of the Group in the years 2022 and 2023 and proposing to the board for further approval within the remaining time in year 2024.

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

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

	Number of individuals
RMB1,000,000 or below	9
RMB1,000,001 – RMB2,000,000	7
RMB2,000,001 – RMB3,000,000	1
RMB5,000,001 – RMB6,000,000	1
RMB6,000,001 – RMB7,000,000	1
RMB7,000,001 – RMB8,000,000	1



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Nomination Committee

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

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

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

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

During the year ended 31 December 2023, the Nomination Committee two meetings. The Nomination Committee assessed and proposed Mr. Luo Tiejun to be appointed as the new independent non-executive Director in one of the meetings held and the Nomination Committee also reviewed the structure, size and composition of the Board in another meeting held. There was a nomination of Director, Mr. Luo Tiejun to fill Board vacancies in the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Nomination Committee – *Continued*

Board Diversity Policy

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

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

During the year ended 31 December 2023, the Nomination Committee members have reviewed the structure, size composition and diversity of the Board and the Policy to ensure its effectiveness.

In year 2023, there was one female member in the Board. Another female member was appointed on 15 January 2024 and there are currently two female members in the Board. The Board will continue to consider about increasing the proportion of female members in the future if suitable candidates are available. Gender diversity at workforce levels is discussed in the Company’s “2023 Environmental, Social and Governance Report”.

Nomination Policy

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

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



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Nomination Committee – *Continued*

Nomination Policy – Continued

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

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

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

Executive Committee

The Company established the Executive Committee on 30 September 2005. The principal functions and responsibilities of the Executive Committee are to determine, approve and oversee the day-to-day control over the allocation of the resources of the Group. The Executive Committee consists of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Executive Committee is Mr. Zhang Yuxiao. The Executive Committee had one meeting during the year ended 31 December 2023.

Manufacturing and Operations Committee

The Company established the Manufacturing and Operations Committee (with the Manufacturing Sub-committee and the Operations Sub-committee) on 30 September 2005. The principal functions and responsibilities of the Manufacturing and Operations Committee and the respective sub-committees are to consider, approve and oversee the Group's day-to-day manufacturing and operations related strategic development and allocations of resources and make recommendations on new initiatives to the Board for approval. From 1 January 2023 to 7 June 2023, the Manufacturing and Operations Committee consisted of three Directors, namely Mr. Liu Jinlan, Mr. Liu Xiang and Mr. Tao Jinxiang. From 8 June 2023 to 31 December 2023, the Manufacturing and Operations Committee consisted of two Directors, namely Mr. Liu Jinlan and Mr. Liu Xiang. The chairman of the Manufacturing and Operations Committee is Mr. Liu Jinlan. The Manufacturing and Operations Committee had one meeting during the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES – CONTINUED

Investment and International Development Committee

The Company established the Investment and International Development Committee on 30 September 2005. The principal functions and responsibilities of the Investment and International Development Committee are to consider, approve and oversee the Group's international market development and investment related initiatives and allocations of resources, and make recommendations on new development initiatives to the Board for approval. From 1 January 2023 to 7 June 2023, the Investment and International Development Committee consisted of three Directors, namely Mr. Liu Jinlan, Mr. Zhang Yuxiao and Mr. Tao Jinxiang. From 8 June 2023 to 31 December 2023, the Investment and International Development Committee consisted of two Directors, namely Mr. Liu Jinlan and Mr. Zhang Yuxiao. The chairman of the Investment and International Development Committee is Mr. Zhang Yuxiao. The Investment and International Development Committee had one meeting during the year ended 31 December 2023.

COMPANY SECRETARY

The Company Secretary, Mr. Cheng Kam Ho, took no less than 15 hours of relevant professional training for the year ended 31 December 2023. Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and his biography is set out in the section headed "Directors and Senior Management" on page 19 of this annual report. For the year under review, Mr. Cheng provided his working report to the chairman of the Board, Mr. Liu Jinlan, directly. Mr. Cheng also reported to the Board members on the amendments to the Listing Rules and corporate governance practices particularly relating to director's duties and responsibilities in a timely manner.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Articles of Association in the year ended 31 December 2023. A copy of an up-to-date consolidated version of the Memorandum of Association and Articles of Association has been uploaded and maintained on the websites of the Company and the Stock Exchange.

SHAREHOLDERS RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS – CONTINUED

Procedures for shareholders to put forward proposals at a general meeting

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

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

Address: Unit 503, 7/F, Low block, Grand Millennium Plaza, 181 Queen’s Road Central, Central, Hong Kong
Fax: 852-2120 5207

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

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

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

Procedures for directing shareholders’ enquiries to the Board

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

Address: Unit 503, 7/F, Low block, Grand Millennium Plaza, 181 Queen’s Road Central, Central, Hong Kong
Fax: 852-2120 5207

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges the responsibilities of overseeing the preparation of the financial statements for the year ended 31 December 2023, which give a true and fair view of the state of affairs of the Group for that year. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on the on-going concern basis. The statement of the external auditor about their reporting responsibilities is set out in the Independent Auditor's Report on pages 148 to 152 of this annual report.

AUDITOR'S REMUNERATIONS

For the year ended 31 December 2023, the Group paid approximately RMB2,351,000 and RMB1,395,000 to the external auditor in respect of audit services and non-audit services, respectively. The non-audit services provided by the external auditor during the year were mainly for performing review on the interim financial statements of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

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

As at the date of the report, the Audit Committee and Board have assessed the risk management and internal controls of the Group for the year ended 31 December 2023. The Company has engaged an independent professional internal control consultant to assist in assessing, reviewing and improving the Group's internal control on accounting system ("Internal Control Review"). After considering the Internal Control Review report and the actions on the implementation of the Enhanced Computerized Module, both the Audit Committee and the Board consider that the measures recommended by the Company are adequate and sufficient to deal with the findings of the Internal Control Review report and that the Group will formulate an adequate internal control system to meet its obligations under the Listing Rules. The Company is in the process of implementing the Enhanced Computerized Module, and the independent professional internal control consultant has been engaged to conduct a review of the effectiveness of the Enhanced Computerized Module in recognizing sales and transportation expenses. For details, please refer to the announcement of the Company dated 12 April 2023. Save as disclosed, in relation to the assessment on risk management and internal controls of the Group for the year ended 31 December 2023, the assessment result reflects that no significant weakness was found in the risk management system and internal control system of the Group and the risk management and internal control systems are effective and adequate.



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL – CONTINUED

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

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

Process used to identify, evaluate and manage significant risks

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

Main features of Risk Management and Internal Control Systems

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL – CONTINUED

Main features of Risk Management and Internal Control Systems – *Continued*

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

Risks handling approach

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

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

In order to comply with the code provision D.2 of the Corporate Governance Code, the enterprise risk assessment and internal control systems review are conducted by the Group during the year ended 31 December 2023. The four aspects of risk assessment and control systems including strategic, financial, operational and compliance are reviewed by Audit Committee and Board. Save as disclosed in this annual report, both the Audit Committee and the Board are satisfied that there has been no major and significant deficiency nor defects noted in the areas of the Group's risk management and internal controls systems. The Board considered that the effectiveness of both risk management system and internal control system are ensured.

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

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

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



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL – CONTINUED

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

5. disclosure of inside information to the public; and
6. communications with media and investors.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2023.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

In addition to the annual general meeting which is opened to all shareholders and members of the press, the Company holds analysts briefings through various channels to maintain communications between the shareholders and the management of the Company. During the year ended 31 December 2023, the management conducted numerous one-on-one meetings with various institutional investors and shareholders to assist them to have a better understanding of the Group as well as the global steel cords industry through publicly disclosed information. Comments and advice from the investors were communicated to the management for providing responses in a timely manner. In order to strengthen the communication and interaction with the investors, the Company will continue to focus on enhancing communications with investors through various means by organizing non-deal roadshows, company visits and meetings in the future to ensure the shareholders' communication implementing effectively.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS – CONTINUED

On 8 June 2023, the Chairman of the Board, as well as Chairman or member of each of the Board Committees, attended the annual general meeting to answer any questions raised by the shareholders. During that day, the external auditor was also available to answer any questions from the shareholders about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor's independence.

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

The Board assessed and reviewed the implementation and effectiveness of the shareholders' communication policy of year 2023. The Board considered that the communication policy was conducted properly and effectively given that sufficient and effective communication channels were provided to the investors and shareholders respectively.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

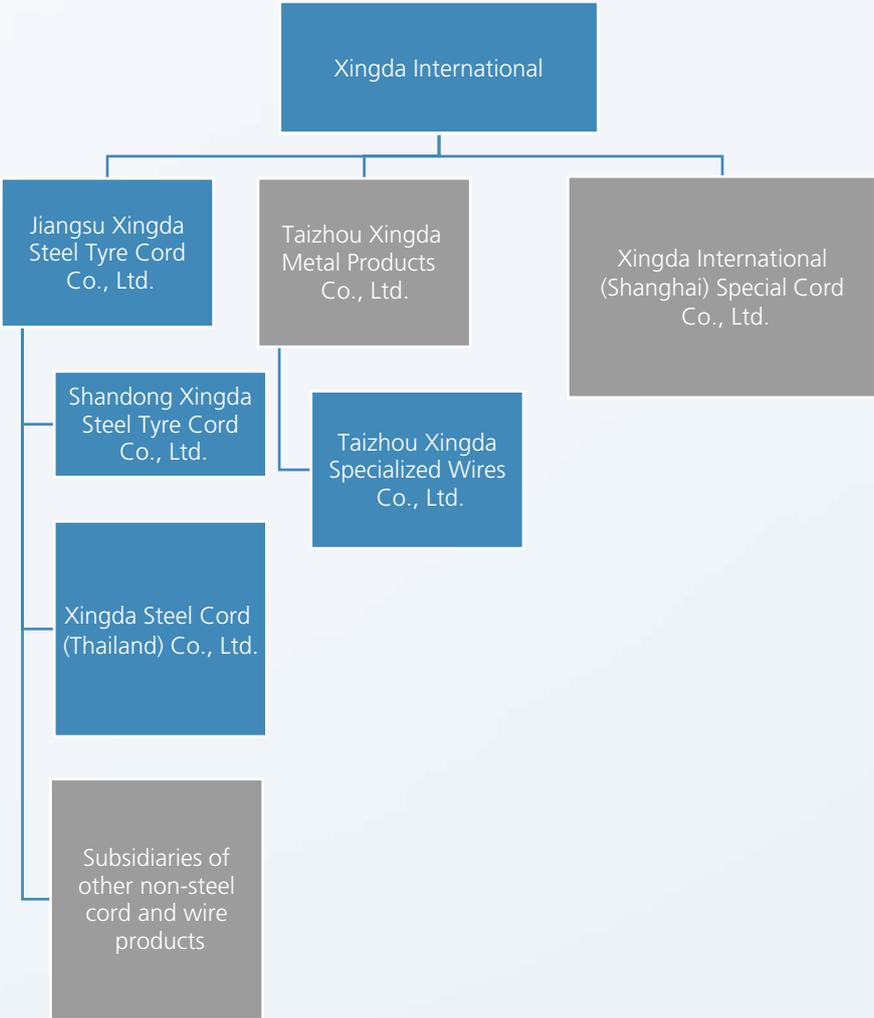
Description of the Report

This report is the 10th *Environmental, Social, and Governance (ESG) Report* of Xingda International Holdings Limited, which discloses the company’s philosophy, established management methods, implementation efforts, and achievements in ESG issues in its operations to investors and other stakeholders.

Scope of the Report

The scope of this report covers Xingda International Holdings Limited and its subsidiaries (“Xingda International” or “the Group”). Unless otherwise stated, it is in line with the entities covered in Xingda International’s (stock code: 1899.HK) annual consolidated financial statements. The statistics in this report are based on all subsidiaries and manufacturing bases of steel cord and steel wire products operated by the Group worldwide, including manufacturing bases¹ located in Jiangsu Province (“Jiangsu Base”), Shandong Province (“Shandong Base”), and Thailand (“Thailand Base”). The list of subsidiaries for the production of steel cord and steel wire products covered in this report and the abbreviations in the report are as follows:

Xingda International Organizational Chart



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description of the Report – CONTINUED

Scope of the Report – Continued

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

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

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

Reporting Period

The reporting period is from January 1, 2023 to December 31, 2023. Unless otherwise specified, the data in this report are based on this period.

Basis of the Report

The report has been prepared in accordance with Appendix C2 *the Environmental, Social and Governance Reporting Guide* (effective from December 31, 2023) of the *Listing Rules* issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “SEHK”) and with reference to the Global Reporting Initiative *Sustainability Reporting Standards* (GRI Standards 2021).

Principles of the Report

This report follows the reporting principles of the SEHK’s Appendix C2 *Environmental, Social and Governance Reporting Guide* of the *Listing Rules*, including

Materiality

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

Quantification

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

Balance

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

Consistency

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description of the Report – CONTINUED

Data Description

The data and cases in the report are collected from the official records of the actual operation of the Group.

The financial data in the report are in RMB. If the financial data are inconsistent with the Group’s annual financial report, the annual financial report shall prevail.

Report Acquisition Method

This report is published in both traditional Chinese and English language versions, and is posted on the information disclosure platform designated by the SEHK and the Group’s official website (<https://www.xingda.com.cn/>) for public access and download. In the event of any ambiguity in the contents of the different language versions, the Traditional Chinese version shall prevail.

Contact Us

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

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

Contact Email: sustainability@xingda.com.cn

ESG Management

ESG Philosophy and Strategy

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

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Management – CONTINUED

ESG Management Mechanism

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



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Management – CONTINUED

ESG Management Mechanism – *Continued*

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

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

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

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Management – CONTINUED

Stakeholder Communication

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

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

Analysis of Substantive Issues

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

Xingda-International Substantive Issue Identification Process



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Management – CONTINUED

Analysis of Substantive Issues – Continued

At the preliminary stage of substantive issue identification, we focused on future policy directions that are closely related to Xingda International in accordance with the UN’s Sustainable Development Goals (SDGs) and China’s *The Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035*. In the meantime, Xingda conducted peer benchmarking and upstream and downstream industry benchmarking to identify a series of sustainability and ESG issues that require initial attention from environmental, social and governance perspectives.

Xingda’s High-substantive Issues

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Corporate Governance Responsibility

Anti-corruption and Bribery

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

List of Applicable Anti-Corruption Laws and Regulations

Region	Applicable Laws and Regulations
China	<i>Company Law of the People's Republic of China, Civil Code of the People's Republic of China, Finance and Taxation Law of the People's Republic of China, Labor Law of the People's Republic of China, Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, etc.</i>
Thailand	<i>Act Supplementing the Constitution Relating to the Prevention and Suppression of Corruption B.E. 2561 (2018), etc.</i>



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Corporate Governance Responsibility – CONTINUED

Anti-corruption and Bribery – *Continued*

List of Key Contents of the Employee Business Ethics Code

Category	Key Content
Anti-corruption and bribery	<ul style="list-style-type: none">• Employees are encouraged to submit gifts that should be accepted by the company, and gifts from the same partner should not exceed RMB200 per quarter.• No employee may bribe any government official or government personnel for business needs.• All employees should comply with the relevant disciplinary provisions of the company and should not accept bribes, bribe others, or secretly accept commissions or other personal benefits.
Anti-conflict of interest	<ul style="list-style-type: none">• No employee can apply for a job in other companies that compete with the Group during their employment.• No employee can use company property, information, or their positions in the company to seek business opportunities that should belong to the company.• Any personnel of the company shall not, for any reason, break up the matters that the company needs to invite bids into parts or avoid bidding in other ways.• Any employee cannot directly or indirectly enjoy the financial benefits (equity or otherwise) of other business institutions through the relationship of his/her spouse or other family members, nor can he/she devote his or her work time to other affairs to obtain such financial benefits.• No employee may obtain loans, personal debt guarantees, or enter into any private financial transactions from/with significant customers, suppliers, or competitors of the company.

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

Reporting Channels

- Reporting email: compliance@xingda.com.cn
- Reporting hotline: +86 523 80956588

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Corporate Governance Responsibility – CONTINUED

Anti-corruption and Bribery – Continued

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

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

In 2023, the Group conducted three anti-corruption training sessions which involved 1,360 employees, including members of the Board of Directors, and the total hours of anti-corruption training received by employees amounted to 3,264.

In 2023, there was no corruption lawsuit filed and concluded against the issuer or its employees, nor any case arising therefrom.

Anti-Corruption Performance Sheet

Indicators	Unit	2021	2022	2023
Number of corruption lawsuits filed and concluded count against the issuer or its employees during the reporting period		–	–	–
Number of employees involved in anti-corruption related training	person	857	1,383	1,360
Total number of hours of anti-corruption training received by employees ¹	hour	3,061	3,373	3,264

[1] The total number of hours of employees receiving anti-corruption training is an accumulation of hours of each session, and the hour per session is calculated by multiplying the number of people in a single anti-corruption training with the duration of that training.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility

Environmental Management System

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

Four Commitments for Environmental Protection

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

The Group has production bases in China and Thailand, and strictly abides by the laws, regulations, and requirements related to environmental management in the place of operation, and has formulated management systems such as *Environmental Management Policy*, *Noise and Vibration Pollution Control Procedure*, and *Air Pollution Prevention and Control Management Procedure*. In 2023, the Group updated its management systems including *Wastewater Discharge Management Procedure*, *Solid Waste Management Procedure*, *Waste Gas Emission Management Procedure* and *Hazardous Waste Management Procedure*, and further specified relevant management responsibilities and requirements. All manufacturing bases of the Group have passed ISO 14001:2015 environmental management systems certification as well as the review during the reporting period.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Environmental Management System – Continued

List of Environmental Management Laws, Regulations and Relevant Requirements

Region	Laws, Regulations and Relevant Requirements
China	<i>Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on the Prevention and Control of Noise Pollution, Law of the People's Republic of China on the Prevention and Control of Soil Pollution, Law of the People's Republic of China on Evaluation of Environmental Effects, Law of the People's Republic of China on Promotion of Cleaner Production, Law of the People's Republic of China on Energy Conservation, Emission Standard of Pollutants for Electroplating (GB21900-2008), Integrated Emission Standard of Air Pollutants in Jiangsu Province (DB32/4041-2021), Emission Standard of Air Pollutants for Industrial Furnace and Kiln in Jiangsu Province (DB32/3728-2020), Standard for Pollution Control on Hazardous Waste Incineration (GB18484-2020), Emission Standard of Air Pollutants for Boiler in Jiangsu Province (DB32/4385-2022), Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008), Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (GB18599-2020), Standard for Pollution Control on Hazardous Waste Storage (GB18597-2023), Measures for the Environmental Management Registration of New Chemical Substances (Decree No. 12 of the Ministry of Ecology and Environment), Notice of the Department of Ecology and Environment of Jiangsu Province on Further Improving Environmental Management on General Industrial Solid Waste (S. H. B. No. 327 [2023]), Emission Standard of Air Pollutants for Industrial Coating Process in Jiangsu Province (DB32/4439-2022), Guideline on Available Techniques of Pollution Prevention and Control for Electroplating (HJ1306-2023), Integrated Emission Standard of Air Pollutants (GB 16297-1996), Regional Integrated Emission Standard of Air Pollutants (DB37/2376-2019), Emission Standard of Air Pollutants for Industrial Furnace and Kiln in Shandong Province (DB37/2375-2013), Emission Standards for Odor Pollutants (GB 14554-93), etc.</i>



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Environmental Management System – Continued

List of Environmental Management Laws, Regulations and Relevant Requirements

Region	Laws, Regulations and Relevant Requirements
Thailand	<p><i>Notification of the Industrial Estate Authority: Industrial Waste Management and Disposal B.E. 2548 (2005), Public Health Act B.E.2535 (1992), Factory Act B.E. 2535 (1992), The Enhancement and Conservation of National Environment Quality Act B.E. 2535 (1992), Notification of the Ministry of Industry: Type or Category of Factory Required to Prepare a Report of Type and Quantity of Pollutants Discharged from a Factory, Notification of the Industrial Estate Authority No. 46/2541: Determination of Emission Rates of Air Pollutants from Stacks of Factories in Industrial Estates, Notification of Ministry of Science, Technology and Environment: Standards for Waste Gas Emission Quality of Steelworks, Notification of the Industrial Estate Authority: Standards for Smoke Content at Boiler Vents in Plants, Notification of Ministry of Natural Resources and Environment: Standards for Waste Gas Control in Industrial Plants, Notification of the National Environmental Board, No. 24, B.E. 2547 (2004) Ambient Air Quality Standard Amendment, Notification of the Industrial Estate Authority: Standards for the Quality of Waste Water Discharged to the Industrial Sewage Treatment System Center, Notification of the Ministry of Science, Technology and Environment, No. 4, B.E. 2539 (1996): Control Standards for Effluent Discharged to the Public Water Supply or Environment in Industrial Works, Notification of the Industrial Estate Authority No. 79/2554: Disposal of Industrial Wastes, Refuse and Sewage, and Notification of the Ministry of Industry: Regulations for Documents of Hazardous Waste Transportation, etc.</i></p>

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Environmental Management System – Continued

Status of Subsidiaries Obtaining Environmental Management System Certification

Company Abbreviation	Certification Scope	Certifications Approved	Certification Validity Period
Jiangsu Xingda	Manufacturing and related management activities of steel cord for radial tire, steel wire for tire bead, steel wire for rubber hose reinforcement, steel wire for cutting, galvanized steel wire	ISO 14001:2015	June 21, 2024
Taizhou Xingda	Manufacturing and related management activities of steel wire for rubber hose reinforcement, galvanized steel wire and galvanized steel wire rope	ISO 14001:2015	June 29, 2024
Shandong Xingda	Manufacturing and related management activities of steel cord for radial tire	ISO 14001:2015	January 13, 2026
Xingda Thailand	Manufacturing and related management activities of steel cord for radial tire	ISO 14001:2015	April 28, 2025

While expanding its own businesses development, the Group is also committed to building a green production environment, taking environmental protection as a management focus, and actively taking measures to prevent or mitigate adverse impacts on the environment, thereby improving production environmental performance.

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



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Environmental Management System – Continued

Environmental Management Objectives of Each Manufacturing Base for 2023

Manufacturing Bases	Environmental Management Objectives
Jiangsu Base	<ul style="list-style-type: none">• Comprehensive energy consumption per unit product ≤ 0.27 tce/t• Carbon emission per unit product ≤ 1.12 tCO₂/t• Water consumption per unit product ≤ 3.5 t/t• Acid consumption per unit product ≤ 20.83 kg/t• Wastewater generation per unit product ≤ 0.7 t/t• COD discharge per unit product ≤ 0.2 kg/t• Heavy metal production in wastewater per unit product ≤ 15 g/t• Discharge of acid cleaning waste gas hydrogen chloride and sulfuric acid mist ≤ 10 mg/m³• Industrial solid waste output per unit product ≤ 3.0 kg/t• Environmental noise at the factory boundary meets the emission standards
Shandong Base	<ul style="list-style-type: none">• Comprehensive energy consumption per unit product ≤ 0.280 tce/t• Carbon emission per unit product ≤ 0.973 tCO₂/t• Water consumption per unit product ≤ 3.5 t/t• Acid consumption per unit product ≤ 24 kg/t• Wastewater generation per unit product ≤ 0.7 t/t• Discharge of acid cleaning waste gas hydrogen chloride and sulfuric acid mist ≤ 10 mg/m³• Environmental noise at the factory boundary meets the emission standards
Thailand Base	<ul style="list-style-type: none">• Comprehensive energy consumption per unit product ≤ 0.292 tce/t• Carbon emission per unit product ≤ 1.27 tCO₂/t• Water consumption per unit product ≤ 2.3 t/t• Acid consumption per unit product ≤ 22.5 kg/t• Wastewater generation per unit product ≤ 0.5 t/t• Industrial solid waste generation per unit product ≤ 5.0 kg/t, and compliant disposal of hazardous waste.• Discharge of acid cleaning waste gas hydrogen chloride and sulfuric acid mist, and waste gas from open-fire furnace combustion and solid waste sintering meet the emission standards

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Environmental Management System – Continued

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

In 2023, the Group carried out targeted environmental training for all employees, covering topics such as environmental laws and regulations, environmental awareness and procedure for discharge. Moreover, in order to improve environmental management skills of the company's professionals dedicated to environmental protection and the management, the Group cooperated with professional institutions to provide two external training sessions which mainly covered topics such as environmental laws and regulations, management of discharge permits, prevention and control of soil pollution and the obligations of the enterprise in environmental compliance. The Group's representatives attended the hazardous waste management training program provided by the Department of Ecology and Environment of Jiangsu Province, and obtained the training certificate recognized by the department.

In 2023, the Group had no confirmed violations of environmental protection related laws and regulations.

Environmental Management System Performance Sheet for 2023

Indicators	Unit	2022	2023
Percentage of employees who have received (internal or external) training on environmental issues	%	100	100
Percentage of workplaces where environmental risk assessments have been conducted	%	100	100
Percentage of workplaces that have passed ISO 14001 certification	%	100	100
Number of incidents punished due to violation of environmental protection laws and regulations	count	–	–
Amount of penalty due to violation of environmental protection laws and regulations	RMB10,000	–	–



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Energy Management

The Group is committed to becoming a resource saving and environmentally friendly enterprise. The main types of energy consumed by the Group in the production process include electricity, natural gas and diesel fuel. The Group sets energy consumption targets based on the requirements of the ISO 50001 energy management certification system and national energy policies.

Energy consumption target

- By 2025, the Group's energy consumption per unit of product will decrease by 14% compared to 2020

Progress in 2023

- In 2023, the Group's energy consumption per unit product decreased by 16% compared to 2020

List of Laws and Regulations Related to Energy Management

Region	Applicable Laws and Regulations
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China	<i>Law of the People's Republic of China on Energy Conservation, etc.</i>
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Thailand	<i>Energy Conservation Promotion Act, B.E. 2535 (1992), and Energy Management Criteria B.E. 2552 (2009), etc.</i>
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In terms of energy management, the Group has developed systems such as *Energy Management System*, *Energy Conservation Management System*, and *Implementation Rules for Daily Energy Conservation Supervision*, and established energy measurement management. In 2023, Taizhou Xingda obtained ISO 50001:2018 energy management system certification for the first time, and Jiangsu Xingda passed the annual audit of the system certification.

The Group promotes energy audit, and identifies energy conservation items that need to be improved through accepting audits from customers and external third parties. While improving these items step by step, the Group has also strengthened training on energy conservation awareness among employees to improve management energy efficiency.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Energy Management – Continued

2023 Key Energy Conservation Measures of Manufacturing Bases

Manufacturing Bases	Energy Conservation Measures
Jiangsu Base	<ul style="list-style-type: none">• Completed the energy-saving renovation of 5 electroplating open-fire furnace waste heat recovery and utilization systems, saving about 12,800 tons of steam annually.• Completed the construction of the 9MW rooftop photovoltaic power generation project whose average annual power output reaches about 8.3 GWh.• Renovated 400 energy-efficient motors, saving about 670 MWh of electricity per year.• Completed the energy-saving renovation of permanent magnet synchronous motors for 54 sets of coarse and medium continuous wire drawing machines, saving about 2.42 million kWh of electricity annually.
Shandong Base	<ul style="list-style-type: none">• Completed the construction of the 6MW rooftop photovoltaic power generation project whose average annual power output reaches about 7.8 GWh.• Conducted the energy-saving renovation of 3 electroplating open-fire furnace waste heat recovery and utilization systems, saving about 4,816 tons of steam annually.• Upgraded 164 sets of permanent magnet synchronous motors for the wet drawing process, saving about 430MWh of electricity per year.
Thailand Base	<ul style="list-style-type: none">• Enabled the start-stop control of the circulating pump for coarse and medium continuous wire drawing machines. In this way, the 45kW circulating pump for coarse and medium continuous wire drawing machines would be shut down when a monthly output lower than 7,000 tons, and water supply would be enabled by pressure difference, thereby reducing the electricity cost and saving about 230 MWh of electricity per year.• Optimized the intermediate-frequency circulating pump and replaced the high-power pumps with low-power pumps, hereby reducing power loss and saving about 60 MWh of electricity annually.• Optimized the circulating pump for air compressors, and applied the temperature-based frequency conversion control method instead of power frequency change, thereby reducing power loss and saving about 55MWh of electricity annually.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Energy Management – Continued

Energy Use Performance Sheet¹

Indicators	Unit	2021	2022	2023
Total natural gas consumption	Million m ³	50.82	57.49	65.16
Total liquified natural gas consumption	ton	17,777.78	16,852.06	19,182.46
Total diesel fuel consumption	ton	505.88	415.79	454.74
Total gasoline consumption	ton	29.84	1.57	1.05
Total amount of purchased electricity	GWh	1,587.68	1,517.54	1,817.78
– Total amount of purchased electricity (China)	GWh	1,506.94	1,438.90	1,726.84
– Total amount of purchased electricity (Thailand)	GWh	80.74	78.64	90.94
Total solar power generation ²	MWh	38.64	2,496.00	18,803.41
Total amount of purchased steam ³	GJ	–	–	8,850.67
Use ratio of clean energy ⁴	%	–	36.02	34.67
Power consumption density (by production volume)	MWh/ton product	1.43	1.44	1.41

[1] In 2023, the Group had removed all coal-fired facilities. Since no coal was consumed, this indicator will no longer be disclosed.

[2] The Group continued to promote the construction of rooftop photovoltaic, with an additional installed photovoltaic capacity of 15MW in 2023, resulting in a significant increase in the total solar power generation as compared to 2022;

[3] In 2023, the Shandong base ceased to use boilers for self-produced steam and purchased steam from a third party;

[4] Use ratio of clean energy = (total natural gas consumption + total liquified natural gas consumption + total solar power generation)/total consumption of all types of energy *100%, same below.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Energy Management – Continued

2023 Energy Use Performance Sheet of Each Manufacturing Base

Indicators	Unit	Jiangsu Base	Shandong Base	Thailand Base
Total natural gas consumption	Million m ³	54.15	8.06	2.95
Liquified natural gas	ton	19,182.46	–	–
Total diesel fuel consumption	ton	393.28	30.58	30.88
Total gasoline consumption	ton	–	–	1.05
Total amount of purchased electricity	GWh	1,449.15	277.68	90.94
Total amount of purchased electricity (China)	GWh	1,449.15	277.68	–
Total amount of purchased electricity (Thailand)	GWh	–	–	90.94
Total solar power generation	MWh	16,211.00	2,592.41	–
Total amount of purchased steam	GJ	–	8,850.67	–
Use ratio of clean energy	%	36.82	24.25	25.92

Water Resources Management

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

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

Water use efficiency target

- The Group's water recycling rate is no less than 97.00%

Progress in 2023

- The Group's water recycling utilization rate of 98.29% for 2023



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Water Resources Management – Continued

List of Laws and Regulations Related to Water Resources Management

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

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

2023 Key Water-saving Measures of Each Manufacturing Bases

Manufacturing Bases	Water-saving Measures
Jiangsu Base	<ul style="list-style-type: none">• Replaced DN400 buried pipes with DN250 overhead pipes for some main pipelines of industrial water in the plant, to reduce the waste of water resources.• Collected the pure water from the cooling of the heat exchanger for continuous and medium wire drawing machines and used it in the hot water washing of the electroplating line and soap soaking water replenishment, which reduced the water consumption by 15,000 tons per year.• Reinforced water saving and emission reduction in the whole process, and reused of some wastewater discharged from production equipment, thereby reducing the use of fresh water.• Reduced the discharge of clean wastewater by recycling the clean wastewater discharged from public facilities.• Cooperated with Jiangsu Xingda Sewage Station to decrease the sewage discharge of Taizhou Xingda.• Stopped using industrial water in high-pressure water rinsing (pretreatment), and applied recycled water in rinsing, recovery and recycling.
Shandong Base	<ul style="list-style-type: none">• Introduced the reclaimed water reuse system which can save 10-15% of the total amount of water consumption, i.e. saving by about 36,500 tons per year.
Thailand Base	<ul style="list-style-type: none">• Reduced the amount of circulating water by using the intermediate-frequency circulating pump and lubricant circulating pump that have smaller power.• Optimized the use of water in lavatories by adopting the circulating water system instead of tap water. Lowered the discharge frequency of circulating water and meanwhile reduced the use of tap water.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Water Resources Management – Continued

Water Use Performance Sheet

Indicators	Unit	2021	2022	2023
Total water consumption	m ³	2,169,311	2,095,176	2,355,353
Water consumption: municipal water supply	m ³	145,486	151,897	175,767
Water consumption: surface water	m ³	1,793,755	1,767,562	2,024,737
Water consumption: underground water	m ³	204,536	142,237	132,749
Water consumption: rainwater directly collected and stored by the enterprise	m ³	25,534	33,480	22,100
Total recycled water consumption ¹	m ³	90,467,200	93,447,461	135,443,725
Water consumption density (by production volume) ²	m ³ /ton of products	1.95	1.99	1.81

[1] In 2023, the Group further promoted the recycling of water resources by optimizing the water flow in the production process and replacing water recycling equipment, thus the total recycled water consumption increased as compared to 2022.

[2] Water consumption density (by production volume) = Total water consumption/Total production volume.

Water Use Performance Sheet of Each Manufacturing Base in 2023

Indicators	Unit	Jiangsu Base	Shandong Base	Thailand Base
Total water consumption	m ³	1,662,780	541,006	151,567
Water consumption: municipal water supply	m ³	–	46,300	129,467
Water consumption: underground water	m ³	1,530,031	494,706	–
Water consumption: surface water	m ³	132,749	–	–
Water consumption: rainwater directly collected and stored by the enterprise	m ³	–	–	22,100
Total recycled water consumption	m ³	113,652,040	16,463,078	5,328,607
Water recycling rate ¹	%	98.56	96.82	97.23

[1] Water recycling rate = total recycled water consumption/(total water consumption + total recycled water consumption)*100%.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Raw Material and Packaging Management

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

We have a systematic and comprehensive management mechanism for the management of packaging materials. We allocate packaging materials according to the orders of our customers, and then sort and recycle them according to the nature of different materials properties to continuously reduce the quantity of packaging materials used. In 2023, the recycling rates of major packaging materials such as plastic pallets, disc spools and dividers has reached over 88%.

Packaging Material Saving Measures of Each Manufacturing Base in 2023

Manufacturing Bases

Concrete Measures

Jiangsu Base

- Reused laser-welded disc spools and pallets, to reduce the proportion of new ones used.
- Performed strict screening and inspection of packaging materials such as dividers, pallets and boxes, to reduce the use of new materials.
- Repaired plastic pallets using plastic welding, to increase the recycling rate and reduce the use of new ones.

Shandong Base

- Sorted out returned used packing cartons and removed their original labels before delivering them to different customers, to reduce the use of new packaging materials.
- Dividers were reused.
- Collected and dried desiccants for reuse, to reduce the use of new desiccants.
- Packing tapes were reused after being welded.

Thailand Base

- Collected and dried desiccants for reuse to reduce the use of new desiccants.
- Performed strict screening and inspection of packaging materials such as dividers, pallets, and boxes, to reduce the use of new materials.
- Optimized the recovery and protection of packaging materials, to reduce the pollution and damage caused by improper protection of packaging materials and therefore increase the recycling rate.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Raw Material and Packaging Management – Continued

Raw Material and Packaging Material Management Performance Sheet

Indicators	Unit	2021	2022	2023
Total amount of packaging materials used for finished products ¹	ton	13,278.95	6,841.85	9,207.64
Density of packaging material consumption (by volume) ²	kg/ton of products	11.94	6.49	7.08

[1] The packaging materials counted are the main packaging materials used in the production process of steel cord (excluding bead wire), including disc spools, plastics and cartons. The statistics are based on the total quantity of packaging materials newly purchased in 2023, excluding the quantity of recycled materials. The Group is committed to increasing the proportion of recycled materials by gradually reducing the consumption of packaging materials.

[2] Density of packaging material consumption (by volume) = total amount of packaging materials used for finished products/total volume of production.

Raw Materials and Packaging Material Management Performance Sheet of Each Manufacturing Base in 2023

Indicators	Unit	Jiangsu Base	Shandong Base	Thailand Base
Total amount of packaging materials used for finished products	ton	7,457.31	1,110.67	639.66

Wastewater Management

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

The Group strictly complies with the relevant standards such as the *Emission Standard of Pollutants for Electroplating* (GB21900-2008, Table 2) and the *Control Standards on Wastewater Quality* announced by the Department of Industry, conducts emission management in accordance with the internally developed *Energy and Environmental Protection Management Procedures for Construction Projects* and *Wastewater Discharge Management Rules*, and formulates wastewater pollutant emission targets. Seepage control measures must be taken for the Group's all water transmission and drainage pipes and hazardous waste storage sites to eliminate all kinds of channels for wastewater seepage; accident pools and wastewater treatment areas must be impermeable and leak-proof. Jiangsu Xingda sets up 13 groundwater monitoring points, and Taizhou Xingda 2 groundwater monitoring points, in order to conduct regular monitoring.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Wastewater Management – Continued

Wastewater Pollutant Discharge Targets for Each Manufacturing Base

Manufacturing Bases	Discharge Standards	Pollutant Types	Discharge Limit
Jiangsu Base	<i>Emission Standard of Pollutants for Electroplating</i> (GB21900-2008, Table 2)	pH value	6-9
		COD (mg/L)	80
		Ammonia nitrogen (mg/L)	15
		Total copper (mg/L)	0.5
		Total zinc (mg/L)	1.5
		Total phosphorus (mg/L)	1
		Total lead (mg/L)	0.2
		Total chromium (mg/L)	1
		Cr(VI) (mg/L)	0.2
		Petroleum (mg/L)	3
Shandong Base	Discharge Standards in Pollutant Discharge Permit	Suspended matter (mg/L)	50
		Total nitrogen (mg/L)	70
		Petroleum (mg/L)	15
		pH value (mg/L)	6.5-9.5
		COD (mg/L)	500
		Total phosphorus (mg/L)	5
		Suspended matter (mg/L)	400
Thailand Base	<i>Emission Standard of Pollutants for Electroplating</i> (GB21900-2008, Table 2)	Ammonia nitrogen (mg/L)	40
		Total zinc (mg/L)	1
		Total copper (mg/L)	0.3
		pH value	5.5-9.0
Thailand Base	The Ministry of Industry's Notification: <i>Control Standards on Wastewater Quality</i>	TDS (mg/L)	3000
		Suspended matter (mg/L)	200
		COD (mg/L)	750
		Five-day biochemical oxygen demand (BOD ₅ , mg/L)	500
		Total copper (mg/L)	2
		Total zinc (mg/L)	5

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Wastewater Management – Continued

All wastewater is collected at the station for treatment and then discharged after meeting the standards. The Group conducts regular monitoring of the main pollutants in wastewater to ensure that no irregular discharge of wastewater occurs. The Group's wastewater is mainly generated at wastewater outlets, and total copper and zinc are monitored daily. For total phosphorus, petroleum, and suspended solids, a third-party testing agency is engaged to conduct monthly testing. Automatic monitoring equipment is installed for the monitoring of pH value, COD and ammonia nitrogen, and the equipment is connected to the network of the environmental protection authority to achieve real-time monitoring. In 2023, the Group upgraded the equipment at the sewage treatment station of Jiangsu Base, and set up new sewage treatment facilities at Shandong Base, to further reinforce its sewage treatment capabilities.

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

List of Wastewater Reduction Measures of Each Manufacturing Base

Manufacturing Bases	Emission Reduction Measures for Wastewater Pollutants
Jiangsu Base	<ul style="list-style-type: none">• Adopted the concentration and recycling project for phosphorus wastewater to increase the recovery amount of phosphoric acid and reduce the discharge of phosphorus wastewater;• Replace pickling with the belt grinder and steel brush machine on trial, to reduce the waste hydrochloric acid and wastewater generated from the subsequent washing process;• Promoted the development and use of new lubricants, to reduce the lubricant consumption per unit product and therefore decrease the lubricant wastewater discharge;• Used diluted hydrochloric acid in the plating acid mist purification facilities for water replenishing, and applied the reusable acid generated to the electroplating production line, to reduce the use of new acid and the discharge of acid wastewater.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Wastewater Management – Continued

List of Wastewater Reduction Measures of Each Manufacturing Base

Manufacturing Bases	Emission Reduction Measures for Wastewater Pollutants
Shandong Base	<ul style="list-style-type: none"> Used the condensate from hydrochloric acid regenerated steam to refill the cooling tower, to reduce wastewater discharge; Recycled the washing wastewater from electroplating and pickling by applying it in the primary acid recovery and water replenishing of the acid mist purification tower, to reduce the discharge of acid wastewater.
Thailand Base	<ul style="list-style-type: none"> Treated the waste phosphoric acid discharged from the workshop with membrane, and reused the phosphoric acid in production that met the standard after treatment; Renovated the plating acid mist purification tower for primary acid recovery and used the recycled hydrochloric acid in the production line, to reduce the usage of raw acid; Collected all overflow water and steam condensate from the intermediate frequency cold water tank of the electroplating production and reused them in the production line, to lower the discharge and reduce the use of fresh water.

Wastewater Pollutant Discharge Performance Sheet

Indicators	Unit	2021	2022	2023
Industrial wastewater discharge ¹	10,000 m ³	132.19	91.76	72.32
Chemical oxygen demand (COD) emissions	ton	69.62	23.34	15.45
Biochemical oxygen demand (BOD) emissions ²	ton	0.09	0.07	0.06
Ammonia nitrogen (NH ₃ -N) emissions ²	ton	0.90	0.41	0.39

[1] In 2023, the Group vigorously promoted the recycling of water resources, and as a result, industrial wastewater discharge was lower than in 2022;

[2] Due to different management requirements, the Xingda Thailand only measures BOD emissions, but does not measure ammonia nitrogen emissions separately.

Wastewater Pollutant Discharge Performance Sheet of Subsidiaries in 2023

Indicators	Unit	Jiangsu	Taizhou	Shandong	Xingda
		Xingda	Xingda	Xingda	Thailand
Industrial wastewater discharge	10,000 m ³	60.23	6.71	2.88	2.50
Chemical oxygen demand (COD) emissions	ton	11.72	2.38	0.70	0.65
Biochemical oxygen demand (BOD) emissions	ton	–	–	–	0.06
Ammonia nitrogen (NH ₃ -N) emissions	ton	0.32	0.06	0.01	–

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Gas Management

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

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

Emission Targets of Air Pollutants for Each Manufacturing Base

Manufacturing Bases	Sources	Pollutant Types	Discharge Standards	Emission Limits (mg/m ³)
Jiangsu Base	Acid mist	HCl	<i>Integrated Emission Standard of Air Pollutants in Jiangsu Province</i>	10
		Sulfuric acid mist	(DB32/4041-2021)	10
	Gas fired boiler	Particulate matter	<i>Emission Standard of Air Pollutants for Boiler in Jiangsu Province</i>	10
		SO ₂	(DB32/4385-2022)	35
	Open fire furnace for electroplating production line	NO _x	(DB32/4385-2022)	50
		Particulate matter	<i>Emission Standard of Air Pollutants for Industrial Furnace and Kiln in Jiangsu Province</i> (DB32/3728-2020)	20
		SO ₂		80
	Solid waste disposal	NO _x		180
		Particulate matter		30
		SO ₂	<i>Standard for Pollution Control on Hazardous Waste Incineration</i>	100
NO _x			300	
		HCl	(GB18484-2020)	60
		CO		100

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Gas Management – Continued

Manufacturing Bases	Sources	Pollutant Types	Discharge Standards	Emission Limits (mg/m ³)
Shandong Base	Emergency boilers	Particulate matter		10
		NO _x		100
	Open fire furnace for electroplating production line	SO ₂	<i>Regional Integrated Emission Standard of Air Pollutants (DB37/2376-2019)</i>	50
		Particulate matter		10
		NO _x		100
	Electroplating acid mist	SO ₂		50
		HCl	<i>Emission Standard of Pollutants for Electroplating (GB21900-2008) Table 5</i>	30
Continuous wire drawing acid mist	Acid mist	HCl	<i>Integrated Emission Standard of Air Pollutants (GB16297-1996)</i>	100
		HCl	<i>Thailand's Comprehensive Emission Standards for Air Pollutants 2549 Article III for emission limits</i>	200
Thailand Base	Emergency boilers	Particulate matter	<i>Notification of Control Standards for Air Pollutant Emissions from Industrial Plants by the Ministry of Natural Resources and Environment of Thailand</i>	320
		SO ₂		60
	Open fire furnace for electroplating production line	NO _x		690
		Particulate matter	<i>Thailand's Comprehensive Emission Standards for Air Pollutants 2549 Article III for emission limits</i>	120
		SO ₂		60
		NO _x		200

The Group conducts regular internal and external testing of air emissions, and gradually installs additional online monitoring devices to ensure that emission abnormalities can be detected and effectively dealt with in a timely manner, so as to ensure the compliance of exhaust gas emissions. In terms of internal testing, the Group has installed online monitoring devices to monitor hydrogen chloride tail gas in real time for internal management. The Group has set corporate standards that are stricter than national standards. Once abnormal data is detected, the big data platform immediately pushes early warning messages to the cell phone of relevant personnel to ensure timely response. In terms of external testing, the Group regularly commissions a third-party testing agency to conduct tests on various types of exhaust vents. In 2023, all internal and external testing results were satisfactory.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Gas Management – Continued

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

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

In 2023, the Group upgraded the pickling waste gas purification facilities at each of its bases, and implemented the process of “water absorption for Level 1 + alkali spraying for Level 2 & 3”, to increase the proportion of reused acid and lower the concentration of emissions at the end. In addition, the Group implemented targeted emission reduction measures based on the specific conditions of each base. By promoting the waste heat recovery and utilization renovation of heat treatment process, Jiangsu Base achieved the self-sufficiency of steam in the operation line, thereby reducing the operation time of the gas fired boiler and lowering the waste gas discharge. Shandong Base newly introduced the waste gas collection and treatment facilities in the hazardous waste room to reduce the discharge of unorganized waste gas.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Gas Management – Continued

Air Pollutant Emission Performance Sheet

Indicators	Unit	2021	2022	2023
Total exhaust emission ¹	10,000 m ³	458,084.58	415,325.96	507,817.02
Particulate matter (PM) emissions ²	ton	2.71	3.03	4.57
Sulfur dioxide (SO ₂) emissions ³	ton	33.86	8.90	4.86
Nitrogen oxide (NO _x) emissions ³	ton	45.12	35.54	43.50

[1] In 2023, Taizhou Xingda expanded the statistical scope of waste gas emissions by adding the waste gas emissions from 4 new pickling emission barrels and retroactively adjusted the total waste gas emissions in 2021 and 2022 according to the same statistics;

[2] Atmospheric emissions of particulate matter mainly come from vehicles;

[3] The Group retrospectively adjusted the sulfur dioxide and nitrogen oxide emissions of Taizhou Xingda for 2022.

Air Pollutant Emission Performance Sheet of Subsidiaries in 2023

Indicators	Unit	Jiangsu Xingda	Taizhou Xingda	Shandong Xingda	Xingda Thailand
Total exhaust emission	10,000 m ³	389,625.00	63,333.00	16,186.38	38,672.64
Particulate matter (PM) emissions	ton	2.04	0.58	1.18	0.78
Sulfur dioxide (SO ₂) emissions	ton	3.99	0.58	0.19	0.10
Nitrogen oxide (NO _x) emissions	ton	28.27	5.77	6.83	2.64

Waste Management

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Management – Continued

List of Laws and Regulations Related to Waste Management

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

Solid Waste Discharge Targets

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

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

The Group's general industrial solid wastes are recycled for reuse, and domestic garbage is regularly cleaned up by the sanitation department. The Group's hazardous wastes are entrusted to qualified organizations for disposal and utilization, except pickling sludge and waste hydrochloric acid for which the company has built its own utilization project.

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



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Management – Continued

List of Solid Waste Reduction Measures of Each Manufacturing Base

Manufacturing Bases	Solid Waste Reduction Measures
Jiangsu Base	<ul style="list-style-type: none">• Upgraded and improved the three-level advanced treatment process for phosphorus wastewater from electroplating, to reduce the total phosphorus content in wastewater and the amount of sludge generated.• Undertook a project to upgrade and transform the lubricant sludge drying facilities, to reduce the water content of sludge and reduce the amount of sludge generated.• Applied the reused acid to primary water absorption of the acid mist purification facilities for water replenishing at the waste acid disposal workshop, to increase the concentration of reused acid in the acid mist purification facilities and lower the raw acid consumption and the waste hydrochloric acid generation.• Optimized the operating process parameters of the membrane treatment facilities for waste lubricant at the sewage treatment station, to strictly control the amount of waste emulsion generated upon the stable operation of the facilities.• Replaced pickling with the steel brush machine on trial, to reduce the waste hydrochloric acid and pickling sludge generated subsequently.
Shandong Base	<ul style="list-style-type: none">• Built the integrated sludge utilization facilities, to lower the water content of sludge and reduce the general solid waste sludge generated.
Thailand Base	<ul style="list-style-type: none">• Designed and manufactured the sludge drying trolleys, to lower the water content of sludge and reduce the general solid waste sludge and hazardous waste generated.• Applied the electroplating acid wastewater to the primary spraying system of the acid mist purification power for water replenishing, thus to reduce the acid wastewater discharge, increase the use of regenerated acid and reduce the pickling sludge generated.

The Group has issued documents such as *Hazardous Solid Waste Management System*, *Hazardous Solid Waste Emergency Plan* and *List of Xingda's Hazardous Waste*, formulated annual management plans that have all been registered with the competent ecological and environmental authorities, managed the accounts of temporary hazardous waste storage sites, improved identification labels, and implemented the online declaration and transfer system

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Management – Continued

List of Hazardous Waste Management Measures of Each Manufacturing Base

Manufacturing Bases	Hazardous Waste Management Measures
Jiangsu Base	<ul style="list-style-type: none">Conducted full-process supervision over the generation, warehouse entry, storage, transfer and disposal of hazardous wastes in accordance with <i>Standard for Pollution Control on Hazardous Waste Storage</i> (GB18597-2023). Signed the entrusted disposal contract with a qualified agency and verify its capability and qualification according to laws. Followed Jiangsu Province's hazardous waste lifecycle monitoring system for standardized management to achieve full-process tracking of hazardous wastes and improve the informatization level of hazardous waste management.
Shandong Base	<ul style="list-style-type: none">Strictly regulated the company's hazardous waste management through Shandong Province's solid waste and hazardous chemicals intelligent supervision platform. Formulated annual management plans for hazardous waste and registered them with the competent ecological and environmental authorities. Verified the qualification of the hazardous waste disposal agency according to the hazardous waste disposal agreement, and entrusted a third party to dispose of hazardous waste on a regular basis.
Thailand Base	<ul style="list-style-type: none">Entrusted qualified agencies for disposal, implemented the online voucher declaration and transfer system in accordance with the <i>Regulations on Waste Disposal</i> and <i>Regulations on Hazardous Waste Transportation Voucher System</i> issued by the Ministry of Industry of Thailand, and supervised the generation, warehousing, storage, transfer and disposal of hazardous waste.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Waste Management – Continued

Solid Waste Emission Performance Sheet

Indicators	Unit	2021	2022	2023
Total amount of non-hazardous waste generated	ton	71,384.98	30,772.10	36,391.76
Non-hazardous waste generation density (By production volume) ¹	kg/ton of products	64.16	29.18	27.99
Total amount of hazardous waste generated	ton	28,532.40	28,677.49	27,368.25
Hazardous waste generation density (By production volume)	kg/ton of products	25.65	27.19	21.05

[1] Non-hazardous waste generation density (by production) = total amount of non-hazardous waste generated/total production, same below.

Solid Waste Discharge Performance Sheet of Subsidiaries in 2023

Indicators	Unit	Jiangsu	Taizhou	Shandong	Xingda
		Xingda	Xingda	Xingda	Thailand
Total amount of non-hazardous waste generated	ton	31,355.67	2,076.70	1,995.63	963.76
Total amount of hazardous waste generated	ton	24,163.22	208.86	1,211.10	1,785.07

Climate Change Mitigation and Adaptation

Global climate change not only brings various extreme weathers, but also seriously affects extensive economic and social activities. The Group has established a climate change management system covering four areas: governance, strategy, risk management, and objectives and performance.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Climate Change Mitigation and Adaptation – Continued

Climate Change Management System



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Climate Change Mitigation and Adaptation – Continued

Governance

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

Strategy

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

In terms of developing and using clean energy, the Group plans to take the use of clean energy into consideration during the construction and renovation of plants to further expand the proportion of renewable energy use and speed up the transformation to low-carbon energy consumption.

In 2023, the Group continued to promote the construction of the solar photovoltaic power generation system, raising the total installed capacity to 15MW. In addition, the Group conducted the energy-saving renovation of energy efficient motors and permanent magnet-driven motors. It also put waste heat recovery and utilization systems into operation for open-fire furnaces used in the electroplating production line, thus to lower the greenhouse gas (GHG) emissions. The Group also attaches great importance to digital technology in addressing climate change. In 2023, the carbon emission management platform based on the cloud platform was built, and significantly improved the efficiency of carbon data collection, accounting and analysis.

In terms of regular information disclosure and communication, the Group adheres to the principle of openness and transparency, and regularly discloses carbon emission data in its ESG reports. In addition, the Group also actively communicate with our customers, suppliers and other value chain partners to exchange plans and milestones in low-carbon transformation and GHG emission reduction. Adhering to the principle of sustainability in sustainable procurement, the Group requires suppliers to develop environmental management systems and procedures, and supervises them to continuously reduce their environmental impact, including reducing waste generated, the use of non-renewable energy and water and energy consumption.

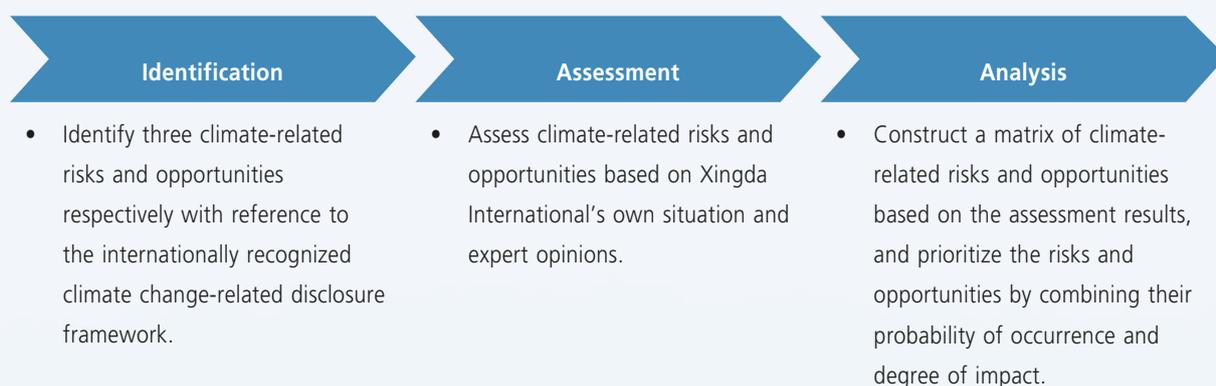
2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

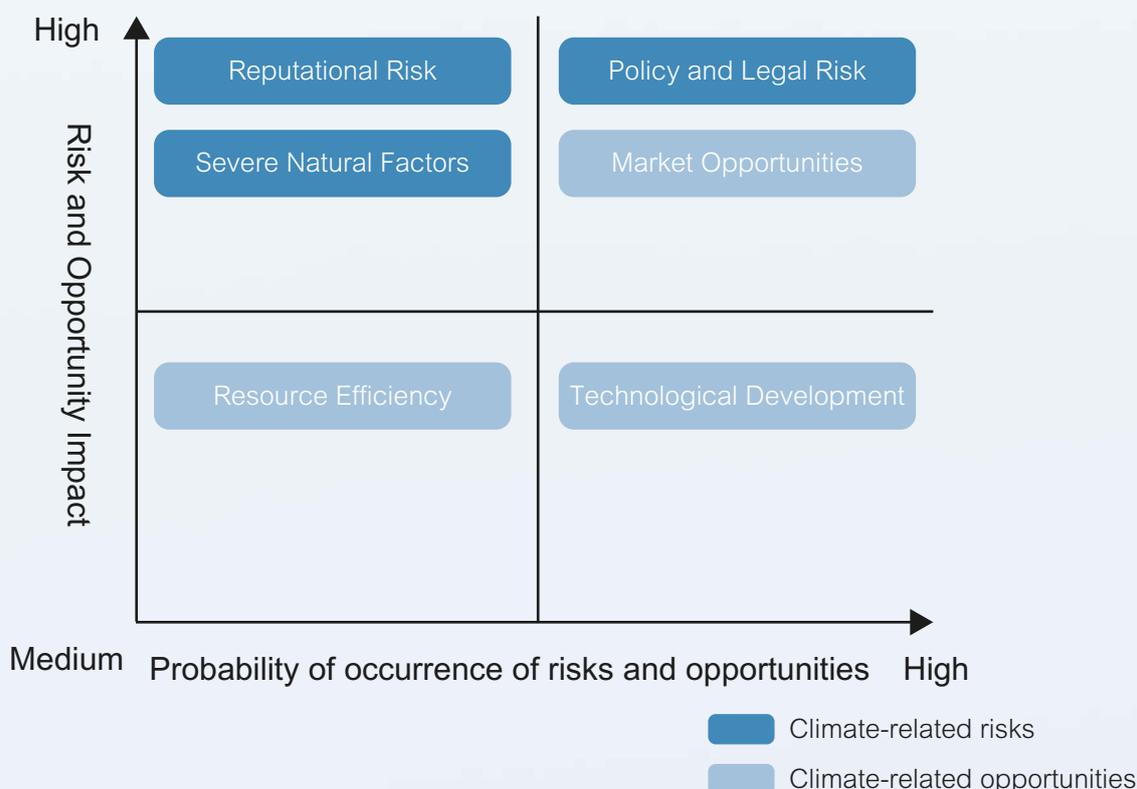
Risk Management

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

Climate Related Risks and Opportunities Analysis Approach



Matrix of Climate Related Risks and Opportunities



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Risk Management – Continued

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

Financial Impact Analysis of Climate-Related Risks

Type	Level	Description	Potential Financial Impact
Policy and Legal Risk	High	Xingda uses mainly natural gas, electricity and diesel fuel. With the rising importance of GHG emissions at home and abroad, relevant laws and regulations have been introduced including China's <i>Measures for the Administration of Carbon Emissions Trading (Trial)</i> and the draft regulations of the EU on carbon border adjustment mechanism (CBAM). Hence, the cost of Xingda's energy use and GHG emissions will increase correspondingly. In addition, changes in pollutant emission standards may expose the Group to compliance risks.	Operating costs ▲ Credit risk ▲
Reputational Risk	Medium	As a company listed on SEHK, Xingda is required by the Exchange to disclose its GHG emission data and emission reduction measures, so such information is available to customers and investors. When the performance is below the expectations of customers and investors, the corporate reputation will be affected.	Operating income ▼ Credit risk ▲
Severe Natural Factors	Medium	An indication of severe natural factors is that extreme weather is frequent and more intense happens more frequently and intensely. Extreme weathers such as typhoons and floods may lead to production safety accidents or forced suspension. The production capacity of Jiangsu and Thailand bases is more susceptible to be affected by typhoons and floods in summer, which may lower the Group's delivery capacity and increase its cost regarding insurance, delivery default compensation and loss of fixed assets.	Operating income ▼ Operating costs ▲ Value of fixed assets ▼

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Risk Management – Continued

Financial Impact Analysis of Climate-Related Opportunities

Type	Level	Description	Potential Financial Impact
Market Opportunities	High	Xingda responds to customers' requests to increase the proportion of sustainable raw materials used and lower the carbon footprint of products, and promotes the sustainable development of the industry, which can enhance the Company's competitiveness in providing differentiated products.	Operating income▲
Technological Development	Medium	Technological development has a direct impact on the transformation of the Group's production methods. On the business end, the Group actively upgrades energy consumption and production methods. In response to customers' requirements, Xingda has been actively developing low-carbon framework materials and improving energy efficiency by smart production in order to reduce climate impact.	Operating income▲ Operating costs▼
Resource Efficiency	Medium	improving the efficiency of resource consumption, and lowers the consumption of resources and energy including natural gas, steam, water and raw material, which may effectively reduce operating costs.	Operating costs▼

Target and Performance

The Group actively undertakes the responsibility of addressing climate change. It has developed the GHG emissions reduction objectives in line with the 1.5 degrees Celsius rise goal of the Paris Agreement, and officially passed the review by the Science Based Targets initiative (SBTi) in 2023. Moreover, based on concrete operations, the Group has formulated more detailed objectives for energy consumption intensity, carbon emission intensity and clean energy use, and is committed to achieving carbon neutrality by 2050. The Group responds to the CDP Climate Change Questionnaire every year and obtained an A- rating in the Questionnaire in 2023.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Target and Performance – Continued

Climate Change Targets

- By 2025, the Group's carbon emissions per unit product will drop by 18% compared to 2020.
- By 2025, the Group's proportion of clean energy use will reach 30%.
- By 2030, the Group's sum of absolute emissions of Scope I and Scope II will decline by 42% compared to 2021, and the absolute emissions of Scope III will decline by 25% compared to 2021.
- By 2050, the Group will achieve overall carbon neutrality.

Progress

- In 2023, the Group's carbon emissions per unit product fell by 23.94% compared to 2020.
- In 2023, the Group's proportion of clean energy use reached 34.67%.
- In 2023, the Group's sum of absolute emissions of Scope I and Scope II declined by 7.67% compared to 2021, and the absolute emissions of Scope III declined by 7.43% compared to 2021.

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

Sources of GHG Emissions in Different Categories

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Responsibility – CONTINUED

Target and Performance – Continued

GHG Emissions Performance Sheet

Indicators	Unit	2021	2022	2023
Scope I GHG emissions ¹	tCO ₂ e	480,488.84	174,035.33	186,907.39
Scope II GHG emissions ²	tCO ₂ e	1,098,466.61	1,051,990.24	1,270,989.02
Scope II purchased electricity (China)	tCO ₂ e	1,067,541.97	1,021,872.19	1,235,183.74
Scope II purchased electricity (Thailand)	tCO ₂ e	30,924.65	30,118.05	34,831.71
Scope II purchased steam	tCO ₂ e	–	–	973.57
Scope III carbon emissions of the value chain ³	tCO ₂ e	–	–	8,686,752.60
GHG emissions (Scope I, Scope II, and Scope III)	tCO ₂ e	–	–	10,144,649.01
GHG emissions (Scope I and Scope II)	tCO ₂ e	1,578,955.46	1,226,025.57	1,457,896.41
Unit production volume GHG emission intensity (Scope I and Scope II)	tCO ₂ e/ton of products	1.42	1.16	1.12

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

[2] Scope II GHG emissions were calculated based on the emission factors of the power grid in each region. In the *Online CO2 Accounting System* issued by Jiangsu Provincial People's Government in 2019, the power supply emission factor of Jiangsu Province in 2021, 2022 and 2023 was set as 0.6829 kg/kWh; Shandong Province's power supply emission factor is set as 0.8843 kg/kWh based on the 2012 North China regional grid factor in the *China Regional Grid Average CO2 Emission Factors for 2011 and 2012* issued by China's National Development and Reform Commission. According to the *Power Development Plan of Thailand* released by the Energy Policy and Planning Office on June 30, 2015, the power supply emission factor for Thailand is set as 0.383 kg/kWh.

[3] The Scope III GHG emissions were calculated with reference to the *GHG Protocol: Corporate Value Chain (Scope III) Accounting and Reporting Standard*, which covered purchased commodities and services, capital commodities, fuel and energy-related activities, upstream transportation and distribution, waste generated from operations, business travel, commuting of employees, upstream leased assets, processing of sold products, downstream leased assets and investments.

GHG Emissions Performance Sheet of Each Manufacturing Base in 2023

Indicators	Unit	Jiangsu Base	Shandong Base	Thailand Base
Scope I GHG emissions	tCO ₂ e	162,909.94	17,514.90	6,482.54
Scope II GHG emissions	tCO ₂ e	989,627.78	246,529.53	34,831.71
Scope II purchased electricity (China)	tCO ₂ e	989,627.78	245,555.96	–
Scope II purchased electricity (Thailand)	tCO ₂ e	–	–	34,831.71
Scope II purchased steam	tCO ₂ e	–	973.57	–
GHG emissions (Scope I and Scope II)	tCO ₂ e	1,152,537.72	264,044.44	41,314.25

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility

Product and Service Quality Management

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

List of Applicable Laws and Regulations

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

All manufacturing bases of the Group have passed the certification of IATF 16949: 2016 automotive quality management system and ISO 9001:2015 quality management system, and have improved the detailed management mechanism of the product quality testing process in accordance with the management system standards. Jiangsu Xingda has set up the *Inspection Regulations* to clarify the quality control parameters of steel cord, bead wire, hose wire and chemical solutions, as well as the inspection and sampling methods, inspection frequency, and acceptance guidelines of semi-finished products and finished goods.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Product and Service Quality Management – Continued

Status of Subsidiaries Obtaining Certification of Quality Management System

Company Abbreviation	Certification Scope	Certifications Approved	Certification Validity Period
Jiangsu Xingda	Steel cord for radial tire, bead wire for tire bead	IATF 16949:2016 ISO 9001:2015	February 2027
Taizhou Xingda	Steel wire for rubber hose reinforcement	IATF 16949:2016	March 2025
Shandong Xingda	Steel cord for radial tire	IATF 16949:2016	July 2024
Xingda Thailand	Steel cord for radial tire	IATF 16949:2016	March 2025

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

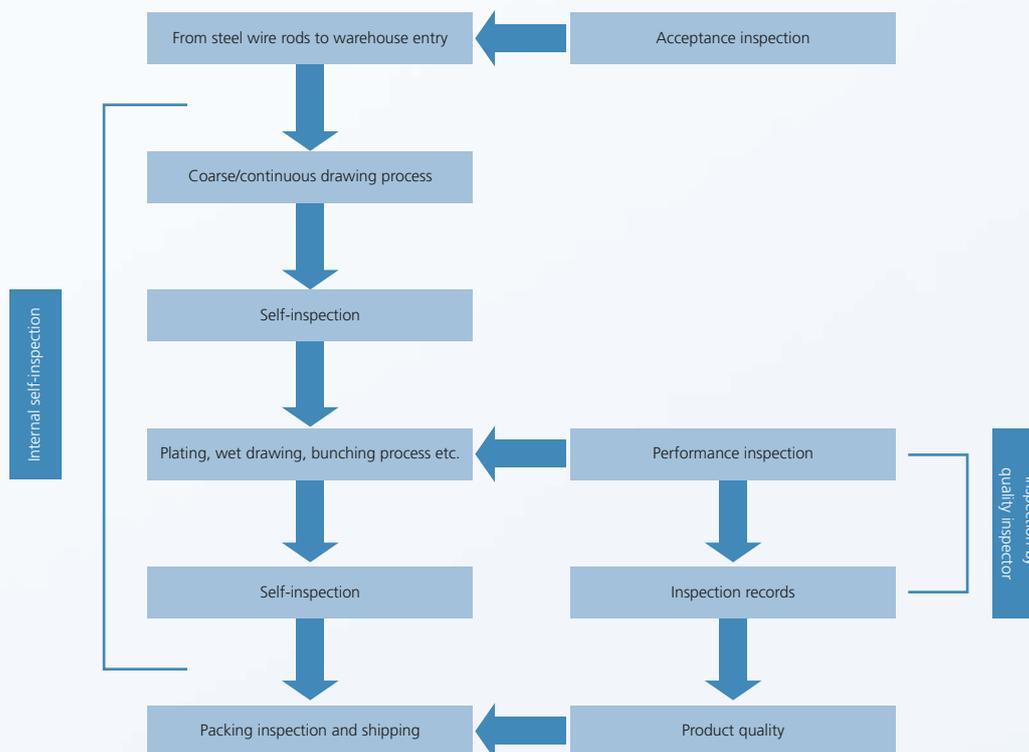
We conduct product quality and safety tests in accordance with the mainstream testing requirements at home and abroad, and conduct RoHS and REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances) tests on products such as steel cords, bead wires, hose wires and galvanized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



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Product and Service Quality Management – Continued



Product Quality Inspection Process

In terms of product quality management, the Group has established the *Quality Manual* as a programmatic document for our minimum requirements for quality management and external quality commitment, which sets out the Group’s quality policy and the scope of the quality management system. The Group has established 33 procedural documents, such as *Inspection Regulations*, *Control of Non-conforming Products from Suppliers*, *Control of Process and Final Non-conforming Products* and *Internal Quality Audit*, to standardize production process management and product quality management throughout the product lifecycle. In 2023, the company updated and improved quality management documents including the *Product Audit Management System*, *Product Protection Management Regulations*, *Raw Material Inspection Plan* and *Auxiliary Material Inspection Plan*, and formulated the *Management and Acceptance Regulations for Humidity Indicator for Product Packaging*.

In terms of enhancing employees’ quality awareness, the Group held 180 training sessions on quality in 2023, to improve employees’ quality management awareness and capabilities, and actively participated in external quality training programs held by customers. In addition, the Group cooperated with a third-party professional agency in organizing the Quality Control Circle (QCC) training. We also attended an external QC project evaluation and won the second prize. The Company’s quality self-management model based on “authorization, rules and services” was awarded the Advanced Quality Management Method in the Quality Improvement Outstanding Achievement Competition of Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province and Shanghai.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Product and Service Quality Management – Continued

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

In 2023, the Group did not have any incidents requiring product recall due to product safety reasons, nor any health and safety-related violations of laws and regulations for products and services provided.

Product and Service Quality Management Performance Sheet

Indicators	Unit	2021	2022	2023
Percentage of products that must be recovered for safety and health reasons of the total products sold or shipped	%	–	–	–
Number of complaints received regarding products and services	case	34	56	43
Complaint handling rate	%	100	100	100

Product and Service Quality Management Performance Sheet of Each Subsidiary in 2023

Indicators	Unit	Jiangsu Xingda	Taizhou Xingda	Shandong Xingda	Xingda Thailand
Percentage of products that must be recovered for safety and health reasons of the total products sold or shipped	%	–	–	–	–
Number of complaints received regarding products and services	case	31	2	5	5
Complaint handling rate	%	100	100	100	100

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

R&D and Innovation

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

List of Laws and Regulations Related to R&D Innovation

Region	Applicable Laws and Regulations
China	<i>Law of the People's Republic of China on Science and Technology Progress, Patent Law of the People's Republic of China, etc.</i>

Based on national policies and industry development, the Group has developed a sustainable development action plan, with "green products and solutions" as a key focus area. As part of the automotive industry chain, the Group spares no effort to achieve energy conservation, consumption reduction, and material recycling through product innovation, to reduce the impact on the environment throughout the entire life cycle of product production.

As for product design, the Group actively promotes the upgrading of tire cord product strength grades from NT/HT to ST/UT. The upgraded products can help achieve lightweight tires, while ensuring the tire performance uncompromised, so as to improve the fuel efficiency of automobiles and contribute to carbon reduction in the use of downstream products. In 2023, the Group's ST/UT products accounted for 1/3 of the total products sold.

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

Raw Material Recycling Target

- By 2030, the Group's percentage of recycled steel reaches 40%

In 2023, the high-strength fatigue-resistant bead wire for heavy-duty tires was awarded the Provincial Scientific and Technological Achievements Commercialization Project of the Year. The cable-type bead production technology for aircraft tires and ST new-structure steel cord for green tires passed the validation of new technologies and products by the Department of Industry and Information Technology of Jiangsu Province.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

R&D and Innovation – Continued

R&D Innovation Performance Sheet

Indicators	Unit	2021	2022	2023
R&D investment	RMB 10,000	13,880	16,900	17,070
Proportion of R&D expenses in operating income	%	1.30	1.56	1.49
Number of R&D personnel	person	760	780	785
Proportion of R&D personnel ¹	%	14.53	14.81	11.10

⁽¹⁾ R&D personnel mainly work in Jiangsu Xingda, and the statistical range of R&D personnel is Jiangsu Xingda, excluding Taizhou Xingda, Shandong Xingda and Xingda Thailand.

Responsible Marketing

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

List of Laws and Regulations Related to Responsible Marketing

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Responsible Marketing – Continued

Responsible Marketing Commitment

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

In 2023, the products and services provided by the Group did not violate laws and regulations in terms of labeling.

Data Security and Customer Privacy Protection

The Group attaches great importance to data security and privacy protection, and strictly protects commercial information in accordance with the established *Information Security Management System*, employee confidentiality regulations and other systems. In 2023, the Group provided training sessions related to industrial control cybersecurity for the Industrial Data Center and Automation Business Division.

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

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

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Data Security and Customer Privacy Protection – *Continued*

The Group has built and launched the Xingda Knowledge Base System to enhance the controllability and traceability of document management. In this system, all internal documents of the Group are encrypted, and hierarchical authority management is implemented for document reading, modification, and downloading. If employees without permission need to use encrypted files, they need to follow the application process for approval. For the security of industrial control system, the Group has isolated the industrial control network and the office network, strengthened the white list control of the internal network, and included the industrial personal computer connected to the internal network of Jiangsu Base in the jump server management, thus to reinforce the security of the industrial control system.

In 2023, Jiangsu Xingda carried out internal audits on information security, and identified relevant risks to improve the effectiveness of the information security control system.

Key points of data and information security management and evaluation:

- Conduct real-time monitoring and early warning for the entire network, perform the penetration test against business servers, and focus on external attack events;
- Sort and integrate asset information, classify and grade assets, and manage asset changes to guarantee the safe operation of assets, and entrust a professional security service provider for remote data hosting security management;
- Perform vulnerability risk management and control, continuous tracking of loopholes and ongoing improvement based on business weaknesses;
- Perform security threat management, security threat detection and response, and external threat response and processing;
- Perform security incident management, continuous detection and response of security incidents.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Data Security and Customer Privacy Protection – Continued

Data Security and Customer Privacy Protection Highlights

As of December 31, 2023, Xingda International:

- Captured 175,500 cyberattacks;
- Handled 728 malicious programs and 466 weak passwords;
- Fixed 283 vulnerabilities.

For information security protection, the Group has established relevant systems to enhance the exchanges among different departments. The Group makes it clear that employees can communicate through IT management personnel and departments, so that all parties can report information security vulnerabilities and related issues.

In 2023, the Group found no significant violations regarding data or information leakage.

Intellectual Property Protection

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

List of Laws and Regulations Related to Intellectual Property Protection

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

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Intellectual Property Protection – *Continued*

Intellectual Property Management Performance Sheet

Indicators	Unit	2022	2023
New patents applied	pcs	42	59
New patents granted	pcs	56	50
Total patents applied	pcs	987	1,046
Total patents granted ¹	pcs	534	544

⁽¹⁾ In 2023, 40 patent licenses of the Group will expire and become invalid, so total patent granted in 2023 ≠ total patent granted in 2022 + new patent granted in 2023.

Employment and Labor Practices

Employment

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

List of Applicable Laws and Regulations for Employment

Region	Applicable Laws and Regulations
China	<i>Labor Law of the People’s Republic of China, Labor Contract Law of the People’s Republic of China, etc.</i>
Thailand	<i>Thailand Labor Protection Act, Thailand Revenue Code, etc.</i>

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Employment and Labor Practices – Continued

Employment – Continued

Remedial Measures for Child Labor of the Group

- Stop working immediately;
- Provide a physical examination and treat those who are found to be ill;
- The company assigns personnel to escort them home, or notifies their guardians to pick them up and sign the acceptance letter;
- The cost of escorting child workers back to their original place of residence is fully borne by the company, and support will be provided according to their own situations to help them go back to school till they are 16 years old;
- Be responsible for the treatment of sick or disabled child workers before they are sent back to their original place of residence, and bear all medical and living expenses occurring during the treatment;
- Strictly prohibit irresponsibly dismissal of child workers. Departments or individuals responsible for work-related injuries, disabilities, and deaths of child workers will be put under administrative penalties by labor and social security authorities at or above the district level. If a crime is constituted, criminal liabilities of the department or individual will be investigated by the judicial department.

The Group prohibits any form of forced labor. To avoid any form of forced labor within the Group, the Group irregularly conducts surveys or holds symposiums on each manufacturing base to keep up with whether there is a situation of forced labor. The Group also encourages employees to actively report any actual or suspected forced labor behavior through channels such as e-mail, mailbox, WeChat official account, OA, the Party democratic meetings and the Welfare Committee (Thailand).

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

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Employment and Labor Practices – Continued

Employment – Continued

In 2023, the Group's female employees accounted for 28.18%, and ethnic minority employees for 1.11%. In 2023, the Group had no violations against employment-related laws and regulations, and no incidents related to child labor or forced labor.

Employment Performance Sheet

Indicators	Unit	2021	2022	2023
Number of employees				
Total number of employees	person	7,842	7,384	8,750
Number of male employees	person	5,445	5,282	6,284
Number of female employees	person	2,397	2,102	2,466
Number of employees under full-time labor contract	person	7,842	7,384	8,750
Number of employees on labor dispatch	person	–	–	–
Number of part-time employees	person	–	–	–
Number of employees aged under 30 years old	person	1,384	1,235	1,496
Number of employees aged 30-50	person	5,971	5,622	6,654
Number of employees aged over 50 years old	person	487	527	600
Number of employees working in Chinese mainland	person	7,001	6,688	7,943
Number of employees working in Chinese Hong Kong, Macao, Taiwan and overseas regions	person	841	696	807
Number of general employees	person	7,683	7,220	8,579
Number of middle-level managers	person	139	151	157
Number of senior-level managers	person	20	13	14
Number of ethnic minority employees ¹	person	–	63	97
Proportion of ethnic minority employees	%	–	0.85	1.11
Employee turnover rate²				
Employee turnover rate	%	24.16	23.70	22.36
Male employee turnover rate	%	24.34	23.69	22.09
Female employee turnover rate	%	23.74	23.70	23.03
Turnover rate of employees aged under 30 years old	%	31.35	30.34	28.93
Turnover rate of employees aged 30-50	%	21.31	21.30	20.16
Turnover rate of employees over 50 years old	%	33.83	30.66	27.80
Employee turnover rate in Chinese mainland	%	22.87	21.70	21.13
Turnover rate of employees working in Chinese Hong Kong, Macao, Taiwan and overseas regions	%	33.41	38.68	32.69

¹ Ethnic minority is not considered for employees in Thailand;

² Employee turnover rate = Number of employees turned away/(Number of employees turned away + Number of employees)*100%.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Employment and Labor Practices – Continued

Employment – Continued

Employment Sheet Table of Employees of Major Subsidiaries in 2023

Indicators	Unit	Jiangsu	Taizhou	Shandong
		Xingda, Xingda, Thailand	Xingda	Xingda
Number of employees				
Total number of employees	person	7,111	301	1,338
Number of male employees	person	5,044	252	988
Number of female employees	person	2,067	49	350
Number of employees under labor contract	person	7,111	301	1,338
Number of employees on labor dispatch	person	–	–	–
Number of part-time employees	person	–	–	–
Number of employees aged under 30 years old	person	1,264	61	171
Number of employees aged 30-50	person	5,360	211	1,083
Number of employees aged over 50 years old	person	487	29	84
Number of employees working in Chinese Mainland	person	6,304	301	1,338
Number of employees working in Chinese Hong Kong, Macao, Taiwan and overseas regions	person	807	–	–
Number of general employees	person	6,958	292	1,329
Number of middle-level managers	person	141	8	8
Number of senior-level managers	person	12	1	1
Number of ethnic minority employees	person	68	6	23
Proportion of ethnic minority employees	%	0.96	1.99	1.72
Number of employees with disabilities	person	–	–	–
Proportion of employees with disabilities	%	–	–	–
Employee turnover rate				
Employee turnover rate	%	19.74	33.11	31.73
Male employee turnover rate	%	19.53	31.89	30.81
Female employee turnover rate	%	20.25	38.75	34.21
Turnover rate of employees aged under 30 years old	%	24.08	48.74	46.73
Turnover rate of employees aged between 30-50	%	17.63	28.72	29.26
Turnover rate of employees aged over 50 years old	%	29.22	17.14	22.22
Employee turnover rate in Chinese mainland	%	17.71	33.11	31.73
Turnover rate of employees working in Chinese Hong Kong, Macao, Taiwan and overseas regions	%	32.69	/	/

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Employment and Labor Practices – CONTINUED

Employee Rights and Benefits and Welfare Protection

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

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

Region	Applicable Laws and Regulations
China	<i>Provisions on Collective Contracts</i> (Order No. 22 of the Ministry of Labor and Social Security of the People's Republic of China), etc.
Thailand	Convention No. 98 – <i>Right to Organize and Collective Bargaining Convention</i> , etc.

The Group lays emphasis on listening to the demands and opinions of employees, establishes the system of labor unions and employee congresses, and sets up employee labor unions in Jiangsu and Shandong bases to hold regular labor union meetings. The Group selects employee representatives in Thailand Base through free election. In addition, the Group makes available diverse and smooth communication channels for employees in Jiangsu Base, Shandong Base, and Thailand Base. A dedicated person is assigned to collect employees' suggestions or opinions on a monthly basis, and appropriate rewards are granted to employees who actively provide reasonable suggestions. By the end of 2023, the employee representatives of the Group in Chinese Mainland accounted for 3.58% of all Chinese Mainland employees.

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

Employee negotiation and compensation	<p>Collective contract: A collective contract is signed with employees and a written agreement is reached on labor remuneration, working hours, rest and vacation, labor safety and health, vocational training, insurance and welfare, etc.</p> <p>Remuneration: The <i>Employee Remuneration Management System</i> is developed, and the distribution forms of determining salary based on position, grading based on ability, and awarding based on performance are adopted.</p> <p>Overtime compensation: If employees are arranged to work overtime, employees will be paid for overtime in strict accordance with the supplementary standards for overtime stipulated in the <i>Labor Law of the People's Republic of China</i>.</p>
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2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Employment and Labor Practices – Continued

Employee Rights and Benefits and Welfare Protection – Continued

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

Working hours and vacations

Working hours: The comprehensive working hour system is implemented.

Working overtime: An overtime approval system has been developed. In case of production and operation need, working overtime can only be arranged after reaching an agreement with employees and getting an approval. Meanwhile, measures should be taken as far as possible to control the length of employees' working and overtime hours to ensure their work and life balance.

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

Employee communication

Communication channels: E-mail, telephone, mailbox, WeChat official account, etc.

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

Employee welfare

Social insurance: Five insurances (medical insurance, maternity insurance, social endowment insurance, unemployment insurance, and occupational injury insurance) and housing provident fund are covered for all employees.

Employee welfare: The Group provides commercial insurance and dormitories for employees, and employee's children have priority to enroll in Xingda International Bilingual Kindergarten and enjoy tuition reduction.;

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

The Group attaches importance to the well-being and satisfaction of employees in the company. In 2023, the Group organized employee satisfaction surveys every quarter and conducted sampling analysis, thus to practically solve employees' problems and continuously improve employee satisfaction. The average score of employee satisfaction survey exceeded 89.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Occupational Health and Safety

Production Safety

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

List of Applicable Laws and Regulations on Safety Production

Region	Applicable Laws and Regulations
China	<i>Law of the People’s Republic of China on Production Safety, Law of the People’s Republic of China on Fire Protection, Law of the People’s Republic of China on Special Equipment Safety, etc.</i>
Thailand	<i>Occupational Safety, Health and Environment Act B.E. 2554 (2011), Factory Act B.E. 2535 (1992), Industrial Estates Authority Act, etc.</i>

The Group’s Production Safety Goals



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Occupational Health and Safety – Continued

Production Safety – Continued

Production Safety Management Organization Structure and Responsibilities of the Group

Name of Safety Production Management

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

In 2023, to further strengthen safety production management, the Group improved its safety production management capabilities from multiple dimensions, including risk identification, safety facility installation, equipment safety management, and safety awareness enhancement, so as to minimize the incidence of safety production accidents. During the reporting period, the Group had no serious safety production accidents, and all safety production targets were met.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Occupational Health and Safety – Continued

Production Safety – Continued

Main Production Management Measures of Xingda in 2023

Dimensions	Main Measures
Risk identification and troubleshooting	<p>Jiangsu Xingda, Shandong Xingda, Taizhou Xingda, and Xingda Thailand have identified their safety production hazards respectively, and developed corresponding risk control plans based on different risk types.</p> <p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have carried out various forms of hidden danger screening activities such as safety production inspection, monthly safety inspection, daily safety inspection, night safety inspection, and pre-holiday safety inspection to get rid of hidden dangers and eliminate accidents.</p>
Configuration of safety facilities	<p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have drawn detailed emergency escape routes layouts for office spaces and posted them in prominent areas.</p> <p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have been equipped with sufficient fire-fighting equipment in their production and office areas, such as fire hydrants, fire extinguishers, and fire alarm bells. Regular spot checks were conducted to ensure that the facilities were within the validity period and under normal service condition.</p> <p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have posted safety warning signs and emergency evacuation maps at the work site.</p> <p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have provided clear a complete set of standard operating procedures at the construction site to make employees aware of the risk factors in their positions.</p> <p>Jiangsu Xingda, Shandong Xingda, Taizhou Xingda, and Xingda Thailand have posted understandable work instructions on production equipment to ensure that employees understood the operation of production equipment in emergency situations.</p>
Equipment safety management	<p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have regularly carried out spot checks and patrols on production equipment, to promptly identify potential safety risks and conduct maintenance and repair.</p> <p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have registered special equipment newly installed during the reporting period, and commissioned professional institutions to conduct an annual testing of the special equipment in each manufacturing base to ensure its safety and effectiveness.</p>



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Occupational Health and Safety – Continued

Production Safety – Continued

Main Production Management Measures of Xingda in 2023

Dimensions	Main Measures
Improvement of safety awareness and skills	<p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda regularly organized employees to carry out emergency drills, including the emergency evacuation and drills for putting out a fire at the initial stage, to improve the emergency response capabilities of each department.</p> <p>Jiangsu Xingda have invited the superior competent authorities to carry out “Special Operation Personnel” training for personnel in special positions, so that they could obtain corresponding job qualifications and certificates to ensure safe production.</p> <p>Orientation training have been carried out for new employees, including production safety education, production process flow of each process and 5S on-site management training. They can be employed only after passing the training evaluation.</p> <p>Jiangsu Xingda, Shandong Xingda and Taizhou Xingda have provided safety training to subcontractors, and informed suppliers of safety requirements by issuing the <i>Safety Notification</i>, to continuously improve their safety knowledge and awareness.</p> <p>Jiangsu Xingda have organized employees to participate in the emergency rescue training organized by the local Red Cross society. After passing the assessment of the training, they obtained certificates of primary rescuer. This has improved their rescue ability in emergencies.</p>

Employee Occupational Health and Safety Performance Sheet

Indicators	Unit	2021	2022	2023
Number of employees who died for work-related injuries	person	–	–	–
Proportion of employees who died for work-related injuries	%	–	–	–
Number of working days lost due to work-related injuries	day	132	64	39
Working hour loss accident rate of direct labor force ¹	%	–	0.0511	0.0405
Working hour loss serious accident rate of direct labor force ²	%	–	0.0033	0.0016
Detection rate of special equipment	%	100	100	100
Proportion of special operation personnel with certificates	%	100	100	100
Coverage rate of safety training and education	%	100	100	100

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

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Occupational Health and Safety – Continued

Production Safety – Continued

Occupational Health and Safety Performance Sheet for Employees of Major Subsidiaries in 2023

Indicators	Unit	Jiangsu Xingda, Shandong Xingda and Xingda Thailand		Taizhou Xingda
Number of employees who died for work-related injuries	person	–	–	–
Proportion of employees who died for work-related injuries	%	–	–	–
Number of working days lost due to work-related injuries	day	39	–	–
Working hour loss accident rate of direct labor force	%	0.0418	–	–
Working hour loss serious accident rate of direct labor force	%	0.0016	–	–
Percentage of workplaces that carried out assessment for employee health and safety risk	%	100	100	100
Percentage of employees in all workplaces of the company represented by the official management-Employee Health and Safety Committee (EHS Committee)	%	100	100	100

Occupational Health

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

The Group underpins the occupational health and safety of employees, strictly abides by health and safety related laws and regulations, formulates management systems such as the *Occupational Disease Prevention and Control Management Regulations*, the *Labor Protection Equipment Management Regulations*, the *Safety Protection Equipment and Facilities Management Regulations*, and the *Xingda Thailand Occupational Health, Safety and Environment Regulations*, and establishes an occupational health and safety management system. By the end of 2023, the Group has passed the certification of ISO 45001:2018 occupational health and safety management system (valid until June 21, 2024) in bases in China and Thailand.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Occupational Health – Continued

List of Applicable Laws and Regulations on Occupational Health and Safety

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

To ensure that the Group provides employees with a healthy and safe working environment and ensures their occupational health and safety, in 2023, the Group entrusted a professional third-party organization to conduct occupational disease hazard factor testing on manufacturing bases in all Manufacturing Bases, and took corresponding protective measures against various occupational disease hazard factors based on the testing results, which included distributing personal protective equipment, labor protection equipment, and equipping employees with first aid kits to protect their occupational health and safety during work.

The Group also implements the pre-job, on-job, and off-job physical examination systems for employees in positions with occupational hazards, and provides occupational health examinations for employees in positions exposed to occupational hazards in accordance with the law. In 2023, the Group organized occupational health examinations for all employees in positions exposed to occupational hazards, with no occupational diseases or contraindications found.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Occupational Health – Continued

Management Measures for Occupational Disease Hazards in Xingda

Manufacturing Bases	Occupational Hazard Factors	Management Measures
Jiangsu Base and Shandong Base	Dust	<ul style="list-style-type: none"> Equip ventilation and exhaust facilities in the production process where dust is generated; Paste the occupational hazard notification card; Distribute dust masks, goggles, etc. to employees at corresponding positions; Provide occupational health examination for employees exposed to occupational hazards; Detect occupational hazardous factors at working sites every year, and inform employees of those detected occupational hazardous factors; Carry out continuous optimization of production process to reduce dust generation.
	Noise	<ul style="list-style-type: none"> Paste the occupational hazard notification card; Distribute earplugs, earmuffs, etc. to employees at corresponding positions; Provide occupational health examination for employees exposed to occupational hazards; Detect occupational hazardous factors at working sites every year, and inform employees of those detected occupational hazardous factors; Install automation equipment in production areas with concentrated noise to reduce employees' exposure; Carry out continuous optimization to reduce noise.
	Acid mist	<ul style="list-style-type: none"> Install ventilation and exhaust facilities in the production links that generate such occupational hazard factors; Paste the occupational hazard notification card; Distribute protective masks, protective clothing, protective gloves, goggles, etc. to employees at corresponding positions; Provide occupational health examination for employees exposed to occupational hazards; Detect occupational hazardous factors at working sites every year, and inform employees of those detected occupational hazardous factors.
Thailand Base	Dust	<ul style="list-style-type: none"> Equip ventilation and exhaust facilities in the production process where dust is generated; Paste the occupational hazard notification card; Distribute dust masks, goggles, etc. to employees at corresponding positions; Provide occupational health examination for employees exposed to occupational hazards.
	Noise	<ul style="list-style-type: none"> Paste the occupational hazard notification card; Distribute earplugs, earmuffs, etc. to employees at corresponding positions; Provide occupational health examination for employees exposed to occupational hazards.
	Acid mist	<ul style="list-style-type: none"> Equip ventilation and exhaust facilities in the production links that generate such occupational hazard factors; Paste the occupational hazard notification card; Distribute protective masks, protective clothing, protective gloves, goggles, etc. to employees at corresponding positions; Provide occupational health examination for employees exposed to occupational hazards; Install acid mist isolation, absorption and purification equipment in production areas involving acid mist, and perform regular maintenance to guarantee normal operation of equipment, to reduce employees' exposure.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

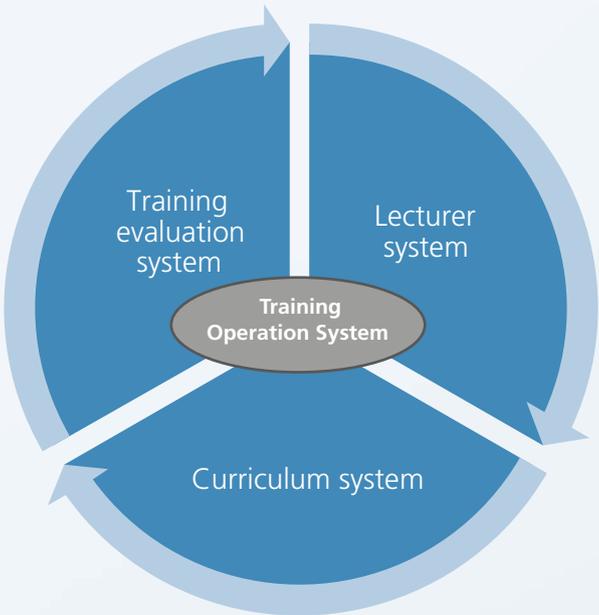
Development and Training

Employee Training

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

Xingda Training Management System

Training system management	Training resource management	Training operations management
<ul style="list-style-type: none"> • Training demand investigation rules • Training plan implementation rules • Training budget rules • Training evaluation rules 	<ul style="list-style-type: none"> • Training management rules • Lecturer management rules • Labor dispatch management rules 	<ul style="list-style-type: none"> • Training organization and implementation • Training and conference services • Training effect feedback



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Development and Training – Continued

Employee Training – Continued

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

Training Effectiveness Evaluation System of Jiangsu Xingda

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



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Development and Training – Continued

Employee Training – Continued

Employee Training Project of Jiangsu Xingda in 2023

Evaluation Levels

Main Contents and Objectives

Employee educational promotion training

- The Xingda Training Center in Jiangsu has established long-term cooperation with Changzhou University, Jiangsu Agri-animal Husbandry Vocational College, Taizhou Polytech College, etc., to provide further education for employees through junior college and undergraduate programs. In forms of theoretical lectures, online teaching and expert Q&A, employees can learn more knowledge and skills, and obtain academic qualifications of higher levels. By the end of 2023, a total of 1,951 persons has participated in these programs, 664 of which are still in school and 1,287 have graduated.

Professional skill upgrading training

- It includes training on safety, quality, vocational skills, production, and corporate culture, so that business skilled staff gain a better understanding of job responsibilities and improve skills required, to support the development of the company.

Orientation for new employees

- New general employees: Company introduction, orientation, product technology and process training, etc. are provided to new employees to enable them to understand and identify with the corporate culture and job responsibilities, and be qualified for the job requirements as soon as possible.
- College students as new employees: The content includes company introduction, Employee Handbook, Factory Rules and Regulations, From Campus to Enterprise, Company Product Introduction, Steps of Each Production Process, Safe Operation Instructions for Key Process and Positions, Occupational Health and Safety System, Contents on Quality Management System, Company Safety Education and Production Safety Accidents Over the Years, Safety Precautions for Each Process Operation, Quality Awareness and 5S On-site Management. They will also get trained in and visit testing centers and subsidiaries, transition in different process positions, and be assigned to branches, etc. These help them adapt to their jobs as soon as possible.
- New apprenticeship system: In 2023, Xingda College cooperated with Taizhou Polytech College and Taizhou Technician College in launching the new apprenticeship system which adopted the model of comprehensive interaction between campus and enterprise, and successfully improved employees' professional skills. Approximately 300 employees were trained in the new apprenticeship system.

Management training

- Apply for training courses for the Group's management personnel to help them master new information, concepts, and methods.
- Establish friendly cooperative relations with well-known local enterprises, to exchange and learn from each other on an irregular basis about management experience, and pursue win-win results.
- Develop a mobile app client to provide a learning and communication platform for managers.

In 2023, Jiangsu Xingda carried out employee training activities at Xingda Training Center, focusing on corporate culture, safe production, product quality, production operations, management practices, etc. and covering all employees of the company. In 2023, the Group conducted 1,043 training sessions, involving 119,200 participants.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Development and Training – Continued

Employee Training – Continued

Jiangsu Xingda actively carries out grade identification of skilled personnel, and the assessment was carried out for the work type of electricians and steel wire rope makers in 2023. Jiangsu Xingda has formulated a 7-year training plan for skilled talents based on the actual needs of employees and job skill requirements, and invited full-time external trainers to give lectures at Xingda. Theoretical teaching, practical training exercises, and case studies are adopted to strengthen the training of professional skills of employees from extensive aspects and improve their comprehensive capability. In 2023, Jiangsu Xingda trained 70 technicians (electricians), 87 intermediate-level workers (metal extruders) and 252 senior-level workers (wire rope makers). In addition, the Group founded 1 provincial-level model worker innovation studio of craftsmanship, 1 provincial-level skill master studio, 1 provincial-level skill master candidate studio and 8 municipal-level skill master studios.

Employee Training and Development Performance Sheet

Indicators	Unit	2021	2022	2023
Employee training coverage				
Employee training coverage	%	99.80	99.27	99.44
Proportion of male employees covered by training	%	99.82	99.24	100.00
Proportion of female employees covered by training	%	99.75	99.33	98.01
Proportion of general employees covered by training	%	99.56	99.68	99.56
Proportion of middle-level managers covered by training	%	100.00	94.04	99.36
Proportion of senior-level managers covered by training ¹	%	20.00	23.08	35.71
Training hours per employee				
Average number of hours of employee training	hour	34.09	20.62	18.34
Average number of hours of female employee training	hour	34.09	21.68	20.71
Average number of hours of male employee training	hour	34.09	20.20	17.41
Average number of hours of senior-level manager training	hour	16.80	11.08	12.64
Average number of hours of middle-level manager training ²	hour	162.34	98.50	120.69
Average number of hours of general employee training	hour	31.81	19.01	16.48

^[1] Training for senior management mainly focuses on external training, such as attending annual corporate summits, executive training programs, and high-level exchanges with different industries;

^[2] The Group continues to enhance the ability of middle-level management team by increasing the internal training for middle-level managers through Xingda College, and to strengthen the management team building. Therefore, the average training hours for middle-level management are relatively higher than those for general employees and senior management

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Development and Training – Continued

Employee Training – Continued

Employee Training Performance Sheet of Major Subsidiaries in 2023

Indicators	Unit	Jiangsu	Taizhou	Shandong
		Xingda, Xingda, Thailand	Xingda	Xingda
Employee training coverage				
Employee training coverage	%	99.31	100.00	100.00
Proportion of male employees covered by training	%	100.00	100.00	100.00
Proportion of female employees covered by training	%	97.63	100.00	100.00
Proportion of general employees covered by training	%	99.45	100.00	100.00
Proportion of middle-level managers covered by training	%	99.29	100.00	100.00
Proportion of senior-level managers covered by training	%	25.00	100.00	100.00
Training hours per employee				
Average number of hours of employee training	hour	21.88	16.37	21.47
Average number of hours of female employee training	hour	24.02	29.10	21.40
Average number of hours of male employee training	hour	21.00	13.89	21.50
Average number of hours of senior-level manager training	hour	12.83	23.00	36.00
Average number of hours of middle-level manager training	hour	134.04	6.00	23.00
Average number of hours of general employee training	hour	19.62	16.63	21.45

Employee Promotion

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

In addition, the Group and its subsidiaries have formulated a multi-dimensional career management scheme based on professional skills and management capacity. They carry out different structural evaluations of employees by level and position, and include evaluation results in performance assessments to promote their career development and create more career development paths for employees.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Development and Training – *Continued*

Employee Promotion – Continued

Talent Development System based on Competence and Quality of Jiangsu Xingda

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

Performance Sheet of Employees Receiving Regular Performance and Career Development Evaluation

Indicators	Unit	2022	2023
Number of employees receiving regular performance and career development evaluations	person	7,384	8,750
Percentage of employees receiving regular performance and career development evaluations	%	100	100

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Development and Training – *Continued*

Employee Promotion – *Continued*

Performance Sheet of Employees in Major Subsidiaries Receiving Regular Performance and Career Development Evaluation in 2023

Indicators	Unit	Jiangsu	Taizhou	Shandong
		Xingda, Xingda Thailand	Xingda	Xingda
Number of employees receiving regular performance and career development evaluations	person	7,111	301	1,338
Percentage of employees receiving regular performance and career development evaluations	%	100	100	100

Supply Chain Management

Sustainable Supply Chain

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

Sustainable procurement targets

- To reduce the risks of supply chain brought by ESG-related factors (reputational risk, supply chain risk, etc.);
- To reduce the company's environmental and social impact through sustainable procurement practices;
- To provide sustainable procurement related training for procurement department personnel, covering 100% of procurement department personnel;
- To conduct environmental and social assessment on all key suppliers¹ of the company;
- No procurement and use of conflict minerals.

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Supply Chain Management – *Continued*

Sustainable Supply Chain – Continued

Supplier Management Measures

Management Links Management Content

Entry

Supplier audit and evaluation

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

Compliance and system requirements

- On the basis of confirming that the products, processes, and services provided by the supplier comply with national laws and regulations, and integrating environmental management, employee management, and other requirements into the requirements. Key suppliers are also required to fill in the *Xingda Supplier Environmental, Social, and Governance (ESG) Risk Analysis Form*, to ensure that the supplier has not had any significant negative ESG-related incidents.
- Perform process verification on samples provided by suppliers, and develop a sample trial approval report

Inspection

Supplier evaluation

- Strengthen the management of raw and auxiliary material suppliers: require raw material suppliers to provide PPAP (Production Part Approval Process) information management list. Strengthen the management of indirect suppliers: ensure that agents are matched with manufacturers to ensure traceability
- Conduct on-site review of suppliers, grade them into four levels: A, B, C, and D based on the results, and implement hierarchical management

Routine management of suppliers

- Regularly verify the quality management system certification of suppliers
- Regularly require suppliers to sign supply quality guarantees, etc.
- Require suppliers to sign the *Code of Conduct for Suppliers*

Supplier ESG evaluation

- Perform ESG evaluation of key suppliers, establish the *Supplier ESG Evaluation Indicator System* that covers 17 topics and 69 indicators, and develop the supply chain ESG evaluation system, in order to improve suppliers' ESG management awareness and performance through digital empowerment.

Improvement

Supplier supervision and improvement

- Contact with suppliers in a timely manner to rectify existing problems. When suppliers fail to pass the audit, require them to make corrections, and follow up on their delivery and improvement

Withdrawal

Supplier withdrawal

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Supply Chain Management – Continued

Sustainable Supply Chain – Continued

The Group identifies and investigates potential risks through regular supplier audits. The Group assesses major raw and auxiliary material suppliers at least once a year. In 2023, Jiangsu Xingda conducted an audit of key suppliers via spot checks on their certificates, qualifications, equipment conditions, processes, raw materials, product quality, and other aspects, and evaluated their environmental performance, employment compliance, production safety, business ethics, and other ESG performance of all key suppliers according to the *Supplier ESG Evaluation Indicator System* and *Environmental Management Questionnaire*. All investigation results were good.

The Group attaches great importance to the performance of suppliers at the environmental, social and governance levels. The Group has established the *Code of Conduct for Suppliers* which requires all suppliers to focus on their management of business ethics, labor and human rights, health, safety, and the environment, and encourages them to use environmentally-friendly products and services. The Group requires main raw and auxiliary material suppliers to sign the *Anti-Bribery Pledge for Suppliers* to prevent commercial bribery actions and safeguard the legitimate rights and interests of both parties. In 2023, 100% of the main raw and auxiliary material suppliers signed the *Code of Conduct for Suppliers*, the *Anti-Bribery Pledge for Suppliers* and *Environmental Protection and Safety Agreement*.

The Group focuses on improving internal and external supply chain management capabilities and establishes a sound procurement system training and assessment mechanism. For internal sustainable management improvement, the Group provides sustainable procurement training for procurement personnel and warehouse personnel, and incorporates sustainable procurement into the performance evaluation of procurement personnel. The coverage of sustainable procurement training for internal procurement staffs reached 100%. To improve the sustainable management of suppliers, the Group has established a management cycle of “supplier training- supplier self-assessment – review of supplier – continuous improvement”. 100% of the key suppliers have been incorporated in the review plan, and accepted online training on sustainable management.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Supply Chain Management – *Continued*

Sustainable Supply Chain – Continued

Responsible Supply Chain Management Dimensions

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

Responsible Minerals Management

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



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Supply Chain Management – Continued

Pledge for Non-use of Conflict Minerals

- The Stannum metal used in the products does not originate from areas of war or illegal armed conflicts;
- We are committed to ensuring that conflict minerals do not exist in our supply chain.

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

The Group incorporates conflict minerals clauses, social and environmental requirements into its Purchase and Sales Contracts with suppliers which explicitly require that all products delivered by suppliers of the Group and its subsidiaries use or contain no “conflict minerals” from the Democratic Republic of the Congo or neighboring countries. In 2023, no suppliers of the Group have violated the *Declaration on Non-use of Conflict Minerals of Xingda International*.

Supply Chain Management Performance Sheet

Indicators	Unit	2021	2022	2023
Total number of suppliers	–	270	264	261
Number of suppliers based in Chinese mainland	–	267	260	257
Number of suppliers based in Chinese Hong Kong, Macao, Taiwan and overseas regions	–	3	4	4
Number of suppliers who have performed performance assessments in environmental, labor, and ethical aspects according to the company’s supplier assessment system ¹	–	31	31	31
Number of suppliers identified as having substantially and potentially significant negative social or environmental impacts	–	–	–	–
Percentage of suppliers signing the <i>Code of Conduct for Suppliers</i>	%	–	90	100

⁽¹⁾ The Group conducts environmental, labor and ethical performance assessments of all 31 key suppliers, and the orders related to them account for more than 80% of the Group’s total procurement value.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Responsibility – CONTINUED

Support Community Development

With a keen eye on the corporate social responsibility of “green, harmonious, honest, and responsible”, the Group strives to become a pacesetter in assuming social responsibilities, and achieves a harmonious relationship between corporate development and fulfilling social responsibility. Our manufacturing bases have established a regular communication mechanism with communities in the regions where we operate, so that we can maintain close contact with them to understand the needs of the local communities and provide assistance in a timely manner.

In terms of community care, Jiangsu Xingda paid a visit to the sanitation workers of Sanitation Office of Dainan County in 2023, and brought them care packages.

As to talent development of the community, the Group sponsored the “Future Craftsman” Industrial Robot Programming and Operation Skills Competition for college students in Taizhou, making a positive contribution to the cultivation of young talents and the promotion of technological innovation.

As for employment needs, the Group takes an active part in the “Pomegranate Employment Action” of Jiangsu Province by offering jobs to ethnic minority groups. In addition, for 13 consecutive years, the Company has hosted the wet drawing and stranding workers’ skill contests of the “10 Major Job Skills Competition” of Xinghua City, and conducted certification of relevant work types for enterprises in and surrounding Xinghua, to support vocational education of the local community.

Charity and Volunteer Service

Regarding staff volunteer activities, the Group organized employees to voluntarily donate nearly 40,000 milliliters of blood in total in 2023.

Performance Sheet of Public Welfare Charity and Volunteer Service

Indicators	Unit	2021	2022	2023
Amount of charitable donation	RMB10,000	–	30.24	1.07
Amount of investment in community benefit	RMB10,000	14.33	14.30	28.07
Amount of investment in community benefit (education support)	RMB10,000	–	–	0.65
Amount of investment in community benefit (environmental protection)	RMB10,000	11.00	11.30	7.00
Amount of investment in community benefit (employment)	RMB10,000	–	–	0.04
Amount of investment in community benefit (health care)	RMB10,000	3.00	3.00	20.14
Amount of investment in community benefit (culture and sports)	RMB10,000	–	–	0.24
Amount of investment in community benefit (others)	RMB10,000	0.33	–	–
Total employee volunteer service hours	hour	360	1,032	135
Employee volunteer service persons	person	206	300	132

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index

HKEX ESG Reporting Guide Index

Part B: Comply Provisions

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

Part C: "Comply or explain" Provisions

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Index – CONTINUED

HKEX ESG Reporting Guide Index – *Continued*

Aspects, General Disclosures and KPIs	Report sections
B. Society	
Employment and Labor Practices	
B1 Employment	Employment and Labor Practices
B1.1	Employment and Labor Practices
B1.2	Employment and Labor Practices
B2 Health and Safety	Occupational Health and Safety
B2.1	Occupational Health and Safety
B2.2	Occupational Health and Safety
B2.3	Occupational Health and Safety
B3 Development and Training	Development and Training
B3.1	Development and Training
B3.2	Development and Training
B4 Labor Standards	Employment and Labor Practices
B4.1	Employment and Labor Practices
B4.2	Employment and Labor Practices
Operating Practices	
B5 Supply Chain Management	Supply Chain Management
B5.1	Supply Chain Management
B5.2	Supply Chain Management
B5.3	Supply Chain Management
B5.4	Supply Chain Management
B6 Product Responsibility	Product and Service Quality Management
B6.1	Product and Service Quality Management
B6.2	Product and Service Quality Management
B6.3	Intellectual Property Protection
B6.4	Product and Service Quality Management
B6.5	Data Security and Customer Privacy Protection
B7 Anti-Corruption	Anti-corruption and Bribery
B7.1	Anti-corruption and Bribery
B7.2	Anti-corruption and Bribery
B7.3	Anti-corruption and Bribery
Community	
B8 Community Investment	Support Community Development
	Charity and Volunteer Service
B8.1	Support Community Development
B8.2	Charity and Volunteer Service



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards 2021 Index

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards 2021 Index – CONTINUED

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



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards 2021 Index – CONTINUED

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

Independent Verification Statement

To the management and stakeholders of Xingda International Holdings Limited,

TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch (hereinafter referred to as “TÜV SÜD”) has been engaged by Xingda International Holdings Limited (hereinafter referred to as “Xingda” or “the Company”) to perform an independent third-party verification on its “2023 Environmental, Social and Governance Report” (hereinafter referred to as “the Report”). During this verification, TÜV SÜD’s verification team strictly abided by the contract signed with Xingda and provided verification regarding the Report in accordance with the provisions agreed by both parties and within the authorized scope stipulated in the contract.

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

Scope of Verification

Time frame of this verification:

- The Report contains the data disclosed by Xingda during the reporting period from January 1st, 2023 to December 31st, 2023, including economic, environmental and social related information and data, methods for management of substantial issues, actions/measures and the Company’s sustainability performance during the reporting period.

Physical boundary of this verification:

- The on-site verification sampling took place at below listed location, which is, No.88 West Renmin Road, Dainan Town, Xinghua City, Jiangsu Province, China.

Scope of data and information for the verification:

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Independent Verification Statement – CONTINUED

Scope of Verification – Continued

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

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

Limitations

- The verification process is conducted in the above scope and place. Sampling and verification are adopted for the data and information in the Report by TÜV SÜD, and only the stakeholders within the Company are interviewed; and
- The Company's standpoint, opinions, forward-looking statements and predictive information as well as the historical data and information before January 1st, 2023 are beyond the scope of this verification.

Basis for the Verification

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

- *AA1000AS v3, Type 1 Engagement and Moderate level Assurance*
- *TÜV SÜD Procedure of Verification on Sustainability Report*

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

- Preliminary investigation of the relevant information before the verification;
- Confirmation of the presence of the topics with high level of materiality and performance in the Report;
- On-site verification of all supporting documents, data and other information provided by Xingda; tracing and verification of key performance information;
- Special interview with the representative of Xingda's management; interviews with the employees related to collection, compilation and reporting of the disclosed information; and
- Other procedures deemed necessary by the verification team.



2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Independent Verification Statement – CONTINUED

Verification Conclusions

According to the verification, we believe the Report adheres to the requirement of AA1000AS v3.

The verification team has drawn the following conclusions on this Report:

Inclusivity	Xingda has fully identified the Company’s internal and external stakeholders, such as stock exchanges and governments, investors and shareholders, suppliers, customers, employees, communities and the public, etc., and has established a stakeholder communication mechanism to regularly collect the real demands of stakeholders.
Materiality	Xingda has established a process for prioritizing material topics, identified and prioritized sustainability issues of high relevance to the industry, disclosed governance framework, management actions and performance data in the Company’s sustainability management and operations processes, and reported materially.
Responsiveness	Focusing on topics of concern to stakeholders, Xingda has clearly disclosed its approach and performance in managing major topics in the areas of green products, circular economy, climate change, sustainable procurement, compliance and business ethics, sustainable development governance, community and human capital development, etc. and has established a grievance mechanism to adequately respond to stakeholder requests and expectations.
Impact	Xingda has established a Sustainable and high-quality Development Strategy Committee to promote and implement the Company’s ESG strategy formulated by the Board of Directors, identify significant climate change risks, develop risk management measures, regularly monitor sustainability performance, and monitor and evaluate the economic, environmental and social impacts of its business activities.

Recommendations on Continuous Improvement

- It is recommended that the company discloses more material topics in future reports.

Statement on Independence and Verification Capability

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

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

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Independent Verification Statement – CONTINUED

Statement on Independence and Verification Capability – Continued

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

Signature:

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



Zhu Wenjun

TÜV SÜD Sustainability Authorized Signatory Officer

March 25, 2024

Shanghai, China

Note: In case of any inconsistency or discrepancy, the simplified Chinese version “Independent Verification Statement CN” of this verification statement shall prevail, while the traditional Chinese version and the English translation are used for reference only.

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF
XINGDA INTERNATIONAL HOLDINGS LIMITED**

興達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 153 to 243, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters – CONTINUED

Key audit matter

Cut-off of revenue recognition from contracts with customers

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

Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda"), a subsidiary of the Company, recognised revenue from contracts with external customers amounted to RMB8,016,499,000 for the year ended 31 December 2023, representing 69.77% of total revenue of the Group.

We identified the cut-off of revenue recognition of Jiangsu Xingda as a key audit matter, due to the financial significance of Jiangsu Xingda's revenue recognised and various types of goods delivery terms involved in Jiangsu Xingda's sales contracts with its customers in different geographical locations, which increase the risk of cut-off of revenue recognition around year end.

How our audit addressed the key audit matter

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

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



INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Bao Jie.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Revenue	6	11,490,471	10,812,028
Cost of sales		<u>(9,289,969)</u>	<u>(8,538,496)</u>
Gross profit		2,200,502	2,273,532
Other income	7	145,049	213,819
Government grants	8	14,125	22,711
Other gains and losses, net	9	67,391	152,336
Recognition of impairment losses under expected credit loss model	39b	(25,995)	(2,543)
Other expense	7	(7,759)	(33,796)
Distribution and selling expenses		(796,350)	(1,061,026)
Administrative expenses		(456,966)	(452,228)
Research and development expenditure		(170,719)	(169,231)
Finance costs	10	<u>(233,527)</u>	<u>(198,936)</u>
Profit before tax		735,751	744,638
Income tax expense	11	<u>(98,362)</u>	<u>(186,426)</u>
Profit for the year	12	<u>637,389</u>	<u>558,212</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>9,592</u>	<u>19,159</u>
Total comprehensive income for the year		<u><u>646,981</u></u>	<u><u>577,371</u></u>
Profit for the year attributable to:			
Owners of the Company		449,401	348,391
Non-controlling interests		<u>187,988</u>	<u>209,821</u>
		<u><u>637,389</u></u>	<u><u>558,212</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		455,672	361,830
Non-controlling interests		<u>191,309</u>	<u>215,541</u>
		<u><u>646,981</u></u>	<u><u>577,371</u></u>
Earnings per share			
Basic (RMB cents)	15	<u>27.07</u>	<u>20.99</u>
Diluted (RMB cents)		<u>26.89</u>	<u>20.88</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	7,159,611	6,765,865
Right-of-use assets	17	620,193	635,001
Freehold land	18	69,532	67,542
Investment properties	19	117,300	121,000
Term deposits	25	725,337	1,499,673
Deferred tax assets	20	170,546	123,651
Prepayments for acquisition of property, plant and equipment and freehold land		254,551	135,289
Prepayments	21	14,963	17,963
		9,132,033	9,365,984
CURRENT ASSETS			
Inventories	22	903,643	1,181,169
Financial assets at fair value through profit or loss ("FVTPL")	23	69,448	65,108
Trade, bills and other receivables	24	8,028,097	8,147,717
Tax recoverable			2,330
Term deposits	25	2,015,840	1,422,803
Bank balances and cash	25	570,801	824,867
		11,587,829	11,643,994
CURRENT LIABILITIES			
Trade and other payables	26	5,015,283	5,285,936
Contract liabilities	27	50,841	57,275
Tax liabilities		71,258	103,748
Dividend payable		86,290	187,950
Borrowings – due within one year	28	6,120,325	5,739,331
Lease liabilities	30	250	251
Obligations arising from repurchase of shares	31	223,944	249,677
		11,568,191	11,624,168
NET CURRENT ASSETS		19,638	19,826
TOTAL ASSETS LESS CURRENT LIABILITIES		9,151,671	9,385,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	59,473	53,046
Borrowings – due after one year	28	509,725	1,152,500
Deferred income	29	283,053	255,702
Lease liabilities	30	529	779
		<u>852,780</u>	<u>1,462,027</u>
NET ASSETS			
		<u>8,298,891</u>	<u>7,923,783</u>
CAPITAL AND RESERVES			
Share capital	32	163,218	163,218
Share premium and other reserves		5,941,705	5,701,296
		<u>6,104,923</u>	<u>5,864,514</u>
Equity attributable to owners of the Company		6,104,923	5,864,514
Non-controlling interests	41(ii)	2,193,968	2,059,269
		<u>8,298,891</u>	<u>7,923,783</u>
TOTAL EQUITY			

The consolidated financial statements on pages 153 to 243 were approved and authorised for issue by the Board of Directors on 25 March 2024 and are signed on its behalf by:

LIU JINLAN
DIRECTOR

WANG JIN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

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 payments reserve	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note i)	(note ii)	(note iii)									
At 1 January 2022	163,218	429,281	(130,150)	886,212	9,700	(65,959)	4,408,468	(3,540)	2,620	5,699,850	1,910,788	7,610,638
Profit for the year	-	-	-	-	-	-	348,391	-	-	348,391	209,821	558,212
Other comprehensive income for the year	-	-	-	-	-	13,439	-	-	-	13,439	5,720	19,159
Total comprehensive income for the year	-	-	-	-	-	13,439	348,391	-	-	361,830	215,541	577,371
Appropriations	-	-	-	87,057	-	-	(87,057)	-	-	-	-	-
Dividend recognised as distribution (note 14)	-	-	-	-	-	-	(203,882)	-	-	(203,882)	-	(203,882)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(67,060)	(67,060)
Shares vested under the share-award scheme	-	-	-	-	-	-	5,925	-	(5,925)	-	-	-
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	-	-	-	6,716	6,716	-	6,716
At 31 December 2022	163,218	429,281	(130,150)	973,269	9,700	(52,520)	4,471,845	(3,540)	3,411	5,864,514	2,059,269	7,923,783
Profit for the year	-	-	-	-	-	-	449,401	-	-	449,401	187,988	637,389
Other comprehensive income for the year	-	-	-	-	-	6,271	-	-	-	6,271	3,321	9,592
Total comprehensive income for the year	-	-	-	-	-	6,271	449,401	-	-	455,672	191,309	646,981
Appropriations	-	-	-	64,798	-	-	(64,798)	-	-	-	-	-
Dividend recognised as distribution (note 14)	-	-	-	-	-	-	(222,752)	-	-	(222,752)	-	(222,752)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(84,277)	(84,277)
Exercise of put option of shares of a subsidiary granted to a non-controlling interest (note 31)	-	4,898	-	-	-	-	-	-	-	4,898	27,667	32,565
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	-	-	-	2,591	2,591	-	2,591
At 31 December 2023	163,218	434,179	(130,150)	1,038,067	9,700	(46,249)	4,633,696	(3,540)	6,002	6,104,923	2,193,968	8,298,891

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Notes:

- (i) Special reserve of RMB434,179,000 represents (i) the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares in prior year; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda"), a subsidiary of the Company, at date of acquisition in prior year; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda"), a subsidiary of the Company, and the fair value of consideration paid in relation to the acquisition of the equity interest in 2016; (iv) the difference between the consideration paid by Jiangsu Xingda and the net carrying amount of 90% equity interest in Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), a subsidiary of the Company, in 2019; (v) the difference between the net carrying amount of additional 3.77% equity interest in Jiangsu Xingda acquired by Faith Maple through the subscription of 212,229,323 new shares issued by Jiangsu Xingda with an amount of RMB689,745,000 in 2019; (vi) the difference between the consideration paid by 5 strategic investors, namely 成山集團有限公司 (Chengshan Group Co., Ltd.*) ("Chengshan Group"), 玲瓏輪胎有限公司 (Linglong Tire Co., Ltd.*) ("Linglong Tire"), 賽輪集團股份有限公司 (Sailun Group Co., Ltd.*) ("Sailun Group"), 三角輪胎股份有限公司 (Triangle Tyre Co., Ltd.*) ("Triangle Tyre") and 嘉興建信宸玥股權投資合夥企業(有限合夥) (Jiaxing Jianxin Chenyue Equity Investment Enterprise (Limited Partnership)*) ("Jiaxing Jianxin Chenyue") for 3.35% equity interest in Jiangsu Xingda and respective carrying amount of 3.35% of net assets of Jiangsu Xingda subgroup with an amount of RMB12,833,000 in 2020, netting with impact upon 1 strategic investor's exercise of put option with 0.44% equity interest in Jiangsu Xingda in 2023 as stated in note 31 amounting RMB4,898,000; (vii) the difference between the aggregate amount of net assets related to 42.38% and 24.50% equity interest in Shandong Xingda transferred from Faith Maple and a non-controlling interests to Jiangsu Xingda and 2.47% of net assets of Jiangsu Xingda subgroup with an amount of RMB64,004,000 in 2020; and (viii) the difference between the total share-based payment expenses recognised for the 101,840,880 shares of Jiangsu Xingda, transferred from a non-controlling shareholder, granted to eligible directors, employees and a supplier rendering services to the Group and the change in share of net assets of Jiangsu Xingda by non-controlling shareholders with an amount of RMB198,071,000 in 2020.
- (ii) Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders in previous years.
- (iii) According to the Articles of Association of the subsidiaries in the People's Republic of China (the "PRC"), the subsidiaries of the Group in the PRC are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

* For identification only

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	735,751	744,638
Adjustments for		
Depreciation and amortisation	642,403	578,054
Interest income	(52,193)	(103,932)
Loss on fair value changes of investment properties	3,700	740
Dividend income from FVTPL	(2,211)	(3,160)
Loss on disposal and written-off of property, plant and equipment	583	4,963
Recognition of impairment losses under expected credit loss model	25,995	2,543
Impairment loss recognised on property, plant and equipment	91,623	71,360
Recognition of equity-settled share-based payments	2,591	6,716
Finance costs	233,527	198,936
Change in fair value of financial assets at FVTPL	(4,340)	8,129
Amortisation of deferred income	(5,566)	(6,003)
Unrealised exchange gain	(36,821)	(37,724)
Operating cash flows before movements in working capital	1,635,042	1,465,260
Decrease in inventories	277,526	174,226
Increase in trade, bills and other receivables	(64,966)	(71,777)
Decrease in prepayments	3,000	3,000
(Decrease) increase in trade and other payables	(41,990)	118,231
(Decrease) increase in contract liabilities	(6,434)	12,428
Cash generated from operations	1,802,178	1,701,368
Income taxes paid	(168,769)	(120,422)
NET CASH FROM OPERATING ACTIVITIES	1,633,409	1,580,946

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,224,373)	(1,806,301)
Placement of term deposits	(1,047,055)	(2,004,000)
Payments for leasehold lands	(1,082)	(23,567)
Withdrawal of term deposits	1,170,115	1,700,000
Interest received	110,432	210,521
Receipts of assets-related government grants	32,917	34,992
Proceeds on disposal of property, plant and equipment	15,136	6,990
Dividend received from financial assets at FVTPL	1,990	3,160
Proceeds from disposal of financial assets at FVTPL	–	76,279
NET CASH USED IN INVESTING ACTIVITIES	(941,920)	(1,801,926)
FINANCING ACTIVITIES		
Repayments of bank borrowings	(5,940,182)	(6,270,597)
Interest paid	(231,466)	(221,116)
Dividends paid	(222,752)	(203,882)
Dividends paid to non-controlling interests of subsidiaries	(185,937)	(150,793)
Repayment of other loan from a related party	(88,900)	–
Repayments to obligation from repurchase of shares	(9,167)	(9,583)
Repayments of lease liabilities	(291)	(240)
Other loan raised from a related party	88,900	–
New bank borrowings raised	5,632,967	7,162,597
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(956,828)	306,386
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(265,339)	85,406
CASH AND CASH EQUIVALENTS AT 1 JANUARY	824,867	712,365
Effect of foreign exchange rates changes	11,273	27,096
TOTAL CASH AND CASH EQUIVALENTS AT 31 DECEMBER,		
Cash and cash equivalents	570,801	824,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL

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

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

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

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

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendment to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) – CONTINUED

New and amendments to IFRSs that are mandatorily effective for the current year – continued

Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The Group’s current tax expense/income related to Pillar Two income taxes is disclosed in note 11.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. *IAS 1 Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3 to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) – CONTINUED

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 *Cash flow* statements stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) – CONTINUED

Amendments to IFRSs in issue but not yet effective – continued

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements – continued

The term “supplier finance arrangements” is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements;
- The carrying amount and associated line items presented in the entity’s statement of financial position, of the liabilities that are part of the arrangements, and the non-cash changes in the carrying amounts of these financial liabilities;
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The application of the amendments is not expected to have impact on the financial position or performance of the Group but may affect the disclosures of liabilities, cash flows and the Group’s exposure to liquidity risk related to the supplier finance arrangements entered into by the Group. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in notes 6 and 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis.

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Leases – continued

Lease liabilities

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

The lease payments mainly include fixed payments.

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

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

The Group as lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Foreign currencies – continued

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

Borrowing costs

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

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Share-based payments – continued

Equity-settled share-based payment transactions – continued

Shares granted to employees – continued

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

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

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Taxation – continued

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Property, plant and equipment – continued

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

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

Investment properties

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Research and development expenditure

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

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Cash and cash equivalents

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

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

Inventories

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

Financial instruments

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(ii) Financial assets at FVTPL

The Group's financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

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

(a) Significant increase in credit risk

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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

(a) Significant increase in credit risk – continued

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

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

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

(b) Definition of default

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

(c) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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

(c) Credit-impaired financial assets – *continued*

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(d) Write-off policy

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

(e) Measurement and recognition of ECL

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

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

The ECL for the Group's trade receivables of the credit-impaired debtors are assessed individually. The ECL for the Group's trade receivables of non-credit impaired debtors, bills receivables, other receivables, term deposits and bank balances are considered on a collective basis.

For collective assessment, the Group takes nature and industry of debtors, aging information and relevant credit information into consideration when formulating the grouping.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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

(e) Measurement and recognition of ECL – continued

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the “other gains and losses, net” line item as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the “other gains and losses, net” line item as part of the gain/(loss) from changes in fair value of financial assets.

Derecognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at amortised cost

All financial liabilities including trade and other payables, dividend payable and borrowings are subsequently measured at amortised cost, using the effective interest method.

Obligations arising from repurchase of shares of a subsidiary

Obligations arising from repurchase of shares of a subsidiary as set out in note 31 are recognised initially at the present value of contractual stream of future cash flows payable upon exercise of the put options written by the Company to non-controlling shareholders. The Group recognises a debit in equity on initial recognition of the written put over the non-controlling shareholders which is presented as a deduction from non-controlling interests. The gross financial liability arising from the put options is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity – continued

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses, net' line item in profit or loss (note 9) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Estimated provision of ECL for trade receivables

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

For trade receivables which are non-credit impaired, collective assessment is performed by grouping debtors based on the nature and industry of debtors, aging information and relevant credit information.

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

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

During the year ended 31 December 2023, in view of that the ongoing customers-basis transfer plan of a non-wholly-owned subsidiary of the Company, incorporated and operated in Thailand, has been delayed than original transfer timeline and not achieved budgeted sales plan set for the year, the management of the Group concluded there is such indication and conducted impairment assessment on carrying amounts of property, plant and equipment of this subsidiary, being a separate cash-generating unit.

According to the result of the assessment, management of the Group determined that the recoverable amount of the cash-generating unit is lower than the carrying amount by RMB91,623,000. As at 31 December 2023, the carrying amount of property, plant and equipment held by the subsidiary in Thailand was RMB983,046,000 after taking into account the impairment loss of RMB91,623,000. Details of the impairment of property, plant and equipment are disclosed in note 16.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CAPITAL RISK MANAGEMENT

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

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

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

6. REVENUE AND SEGMENT INFORMATION

Revenue

(a) *Disaggregation of revenue from contracts with customers*

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

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Sale of products		
Radial tyre cords		
– For trucks	5,574,784	5,209,375
– For passenger cars	4,305,964	4,056,017
Bead wires and other wires	<u>1,609,723</u>	<u>1,546,636</u>
Total	<u><u>11,490,471</u></u>	<u><u>10,812,028</u></u>
Timing of revenue recognition		
A point in time	<u><u>11,490,471</u></u>	<u><u>10,812,028</u></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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. REVENUE AND SEGMENT INFORMATION – CONTINUED

Revenue – continued

(b) Performance obligations for contracts with customers and revenue recognition policies

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

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

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

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

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

Segment information

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

	31/12/2023	31/12/2022
	RMB'000	RMB'000
The PRC	7,103,642	6,597,928
Thailand	1,132,508	1,144,732
	<u>8,236,150</u>	<u>7,742,660</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. REVENUE AND SEGMENT INFORMATION – CONTINUED

Geographical information

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

	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i>
The PRC (country of domicile)	7,806,020	6,939,808
India	442,249	493,196
Thailand	432,900	436,638
United States of America	345,979	367,978
Slovakia	342,753	274,030
Brazil	305,257	319,775
Korea	188,179	207,183
Others	1,627,134	1,773,420
	<u>11,490,471</u>	<u>10,812,028</u>

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

No customer contributes over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. OTHER INCOME AND OTHER EXPENSE

Other income

	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i>
Bank interest income	52,193	103,932
Sales of scrap materials	62,733	54,365
Rental income from investment properties	2,171	3,624
Sales of other materials	–	27,702
Sundry income	27,952	24,196
	<u>145,049</u>	<u>213,819</u>

Other expense

	Year ended 31/12/2023 <i>RMB'000</i>	Year ended 31/12/2022 <i>RMB'000</i>
Expenses of sundry income	(7,759)	(8,911)
Cost of sales of other materials	–	(24,885)
	<u>(7,759)</u>	<u>(33,796)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

8. GOVERNMENT GRANTS

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Unconditional government grants (<i>note</i>)	8,559	16,708
Released from deferred income (<i>note 29</i>)	<u>5,566</u>	<u>6,003</u>
	<u><u>14,125</u></u>	<u><u>22,711</u></u>

Note: The amount mainly represents government grants received from the local governments relevant to the Group's operations and business development. The grant is unconditional at the date the amount was received by the Group and was recognised as income during the years ended 31 December 2023 and 2022.

9. OTHER GAINS AND LOSSES, NET

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Net foreign exchange gain	65,123	163,008
Change in fair value of financial assets at FVTPL	4,340	(8,129)
Dividend income from financial assets at FVTPL	2,211	3,160
Loss on disposal and written-off of property, plant and equipment	(583)	(4,963)
Loss on fair value changes of investment properties	<u>(3,700)</u>	<u>(740)</u>
	<u><u>67,391</u></u>	<u><u>152,336</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

10. FINANCE COSTS

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Interests on bank borrowings	232,648	220,859
Imputed interest on obligations arising from repurchase of shares (note 31)	15,999	18,604
Bills receivable discounted	2,960	2,568
Interests on lease liabilities	40	45
	<u>251,647</u>	<u>242,076</u>
Less: interests capitalised in the cost of qualifying assets	<u>(18,120)</u>	<u>(43,140)</u>
	<u><u>233,527</u></u>	<u><u>198,936</u></u>

Borrowing costs capitalised during the year arose on a specific borrowing with interest rate of 4.54% (2022: on a specific borrowing with interest rate of 4.83%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Current tax	132,238	175,082
Overprovision in prior years	(15,770)	(8,296)
Withholding tax paid	22,362	25,039
Deferred tax (note 20)	(40,468)	(5,399)
	<u>98,362</u>	<u>186,426</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

11. INCOME TAX EXPENSE – CONTINUED

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

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

No provision for taxation in Thailand has been made as assessable profit of the Group’s subsidiary in Thailand was absorbed by its unrecognised tax loss for year ended 31 December 2023 (2022: No provision for taxation in Thailand has been made as the Group’s subsidiary in Thailand have no assessable profit).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

In December 2023, the Luxembourg Parliament transposed in domestic law of the European Union directive of the Pillar Two minimum taxation rules, where a subsidiary of the Company was incorporated, enacting the Pillar Two income taxes legislation effective from fiscal years starting on or after 31 December 2023. Under the legislation, the group entities incorporated in Luxembourg is required to pay the top-up tax on profits that are taxed at an effective tax rate of less than 15 per cent.

For the year ended 31 December 2023, profits generated by this group entity incorporated in Luxembourg accounted for less than 1% of the Group’s consolidated profit. After utilisation of unrecognised tax loss in prior year, the group entity has been taxed at progressive tax rate of 15% to 17% for the year ended 31 December 2023. The management assessed the impact of Pillar Two income taxes to the Group is insignificant.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

11. INCOME TAX EXPENSE – CONTINUED

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

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Profit before tax	<u>735,751</u>	<u>744,638</u>
Tax at the PRC tax rate of 25%	183,938	186,160
Tax effect of expenses not deductible for tax purposes	26,138	35,824
Tax effect of income not taxable for tax purposes	(552)	(10,821)
Tax effect of tax losses and deductible temporary differences not recognised	35,004	58,056
Utilisation of deductible temporary differences not recognised	(47,076)	–
Utilisation of tax losses previously not recognised	(11,174)	–
Tax effect of preferential tax rate	(87,405)	(102,218)
Change in opening deferred tax resulting from increase in applicable tax rate	(13,375)	–
Overprovision in prior years	(15,770)	(8,296)
Withholding tax (note)	<u>28,634</u>	<u>27,721</u>
Income tax expense for the year	<u>98,362</u>	<u>186,426</u>

Note: Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards at a tax rate of 10%. In 2023, one of the PRC subsidiaries (2022: one), has distributed dividends of RMB221,405,000 (2022: RMB201,277,000) to Faith Maple, a wholly-owned subsidiary of the Company established in the British Virgin Islands.

Other than RMB261,660,000 (2022: RMB198,940,000) retained profits, no deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to RMB2,844,970,000 (2022: RMB2,669,881,000), as the Group is able to control the timing of the reversal of the temporary differences of these PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

12. PROFIT FOR THE YEAR

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration (note 13)		
Salaries, wages and other benefits	1,012,412	836,119
Retirement benefit scheme contributions	70,206	62,971
Share-based payments	<u>2,591</u>	<u>6,716</u>
Total staff costs	1,085,209	905,806
Less: capitalised in inventories	(721,140)	(570,896)
Less: included in research and development expenditure	<u>(50,217)</u>	<u>(45,289)</u>
	<u>313,852</u>	<u>289,621</u>
Auditor's remuneration	3,746	2,883
Cost of inventories recognised as an expense	9,198,347	8,480,896
Depreciation and amortisation		
– Property, plant and equipment	626,513	562,465
– Right-of-use assets	<u>15,890</u>	<u>15,589</u>
Total depreciation and amortisation	642,403	578,054
Less: capitalised in inventories	(570,588)	(505,854)
Less: included in research and development expenditure	<u>(9,336)</u>	<u>(7,738)</u>
	<u>62,479</u>	<u>64,462</u>
Gross rental income from investment properties	(2,171)	(3,624)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<u>682</u>	<u>428</u>
Rental income from investment properties, net	(1,489)	(3,196)
Impairment loss recognised on property, plant and equipment. (included in cost of sales)	<u>91,623</u>	<u>71,360</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payables to eight (2022: seven) directors were as follows:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Fees	872	1,026
Salaries and other allowances	6,195	8,160
Performance related incentive bonus (<i>note</i>)	8,880	11,881
Retirement benefit scheme contributions	25	111
Share-based payments	873	4,407
	<u>16,845</u>	<u>25,585</u>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors – continued

Details of emoluments of individual directors, disclosed pursuant to the applicable Listing Rules and the CO, are set out as follows:

Year ended 31 December 2023

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related incentive bonus RMB'000 (note)	Retirement benefit scheme contributions RMB'000	Share- based payments RMB'000	Total RMB'000
Executive Directors						
LIU Jinlan	-	2,800	4,200	-	338	7,338
LIU Xiang	-	2,400	3,600	19	169	6,188
TAO Jinxiang (note i)	-	275	-	-	169	444
ZHANG Yuxiao	-	720	1,080	6	169	1,975
Independent Non-executive Directors						
William John SHARP (note i)	156	-	-	-	14	170
KOO Foo Sun, Louis	358	-	-	-	14	372
XU Chunhua	358	-	-	-	-	358
LUO Tiejun (note ii)	-	-	-	-	-	-
	<u>872</u>	<u>6,195</u>	<u>8,880</u>	<u>25</u>	<u>873</u>	<u>16,845</u>

Notes:

- (i) Mr. TAO Jinxiang and Mr. William John SHARP retired on 8 June 2023.
- (ii) Mr. LUO Tiejun was appointed on 8 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors – continued

Year ended 31 December 2022

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2022: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining three (2022: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Salaries, allowances and benefits in kind	3,715	1,788
Retirement benefit scheme contributions	59	40
Performance related incentive bonus (<i>note</i>)	5,352	2,460
Share-based payments	924	729
	<u>10,050</u>	<u>5,017</u>

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

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

	Year ended 31/12/2023	Year ended 31/12/2022
HK\$2,000,000 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$6,000,001 – HK\$6,500,000	1	–
HK\$6,500,001 – HK\$7,000,000	1	2
HK\$8,000,001 – HK\$8,500,000	1	–
HK\$10,000,001 – HK\$10,500,000	–	1
HK\$10,000,001 – HK\$10,500,000	<u>–</u>	<u>1</u>

There was no arrangement under which a director waived or agreed to waive any emoluments during both years.

No emoluments were paid by the Group to directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

14. DIVIDEND

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2022- 15.0 HK cents per share (2022: final dividend paid in respect of the year ended 31 December 2021 – 15.0 HK cents per share)	<u>222,752</u>	<u>203,882</u>
Final dividend proposed, 13.0 HK cents (financial year ended 31 December 2022: 15.0 HK cents) per share	<u>226,207</u>	<u>222,752</u>

During the current year, a final dividend of 15.0 HK cents (2022: 15.0 HK cents) per ordinary share in an aggregate amount of RMB222,752,000 (2022: RMB203,882,000) in respect of the year ended 31 December 2022 (2022: 31 December 2021) was approved at the annual general meeting of the Company held on 8 June 2023 (2022: 9 June 2022).

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2023 of 13.0 HK cents (2022: 15.0 HK cents) per ordinary share in an aggregate amount of approximately RMB226,207,000 (2022: RMB222,752,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Profit for the year attributable to owners of the Company		
Earnings for the purpose of basic and diluted earnings per share	<u>449,401</u>	<u>348,391</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. EARNINGS PER SHARE – CONTINUED

	Year ended 31/12/2023 '000	Year ended 31/12/2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,660,306	1,659,529
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>10,815</u>	<u>9,102</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,671,121</u></u>	<u><u>1,668,631</u></u>

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Renovation RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	3,211,681	19,389	6,453,321	223,741	82,834	1,175,204	11,166,170
Additions	85	-	28,173	5,388	7,983	1,591,351	1,632,980
Reclassifications	610,205	-	712,159	497	-	(1,322,861)	-
Disposals and written-off	(16,493)	-	(34,616)	(17,307)	(810)	-	(69,226)
Exchange realignment	37,766	242	17,632	212	326	3,162	59,340
At 31 December 2022	3,843,244	19,631	7,176,669	212,531	90,333	1,446,856	12,789,264
Additions	37,766	544	25,390	8,216	5,293	1,021,210	1,098,419
Reclassifications	113,663	-	1,147,278	379	-	(1,261,320)	-
Disposals and written-off	(93,457)	-	(371,087)	(2,951)	(1,406)	-	(468,901)
Exchange realignment	21,849	150	12,654	109	197	3,293	38,252
At 31 December 2023	3,923,065	20,325	7,990,904	218,284	94,417	1,210,039	13,457,034
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	1,204,961	3,339	4,019,196	161,307	48,341	-	5,437,144
Provided for the year	160,241	1,380	373,305	18,597	8,942	-	562,465
Eliminated on disposals and written-off	(12,940)	-	(27,141)	(16,459)	(733)	-	(57,273)
Exchange realignment	4,638	109	4,695	91	170	-	9,703
At 31 December 2022	1,356,900	4,828	4,370,055	163,536	56,720	-	5,952,039
Provided for the year	170,806	1,679	429,640	14,214	10,174	-	626,513
Eliminated on disposals and written-off	(67,896)	-	(310,072)	(2,519)	(1,335)	-	(381,822)
Exchange realignment	3,758	90	3,323	-	133	-	7,304
At 31 December 2023	1,463,568	6,597	4,492,946	175,231	65,692	-	6,204,034
IMPAIRMENT							
At 1 January 2021 and 2022	-	-	-	-	-	-	-
Provided for the year	25,869	-	45,216	275	-	-	71,360
At 31 December 2022	25,869	-	45,216	275	-	-	71,360
Provided for the year	55,593	181	21,416	169	229	14,035	91,623
Eliminated on disposals	(25,869)	-	(45,216)	(275)	-	-	(71,360)
Exchange realignment	1,073	3	412	3	4	271	1,766
At 31 December 2023	56,666	184	21,828	172	233	14,306	93,389
CARRYING VALUES							
At 31 December 2023	2,402,831	13,544	3,476,130	42,881	28,492	1,195,733	7,159,611
At 31 December 2022	2,460,475	14,803	2,761,398	48,720	33,613	1,446,856	6,765,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

16. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Construction in progress as at 31 December 2023 and 2022 mainly represents plant, machinery and equipment and buildings constructed for the Group's own use.

The above items of property, plant and equipment except for construction in progress are depreciated over their estimated useful lives and after taking into account of their estimated residual value, on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of lease term of land and 20 to 30 years
Renovation	Up to 30 years
Plant, machinery and equipment	2 to 10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The buildings are situated on land in the PRC and Thailand.

Impairment assessment

For the year ended 31 December 2023, the ongoing customers-basis transfer plan of Xingda Steel Cord (Thailand) Company Limited ("Xingda Thailand"), a non-wholly-owned subsidiary of the Company and incorporated and operated in Thailand, has been delayed than original transfer timeline and not achieved budgeted sales plan set for the year. The management of the Group concluded there is such indication and conducted impairment assessment on carrying amounts of property, plant and equipment of this subsidiary, being a separate cash-generating unit.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on the financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate of 15.2% as at 31 December 2023.

Key assumptions for the value in use calculation are the budgeted sales and cost of sales, which consist of estimated unit price/cost and sales quantities, and are determined based on the cash-generating unit and a group entity with similar customer base's past performance and management expectations for the market development. The cash flows beyond a 5-year period are extrapolated using 2% growth rate, with reference to Thailand long-term average growth rate.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the cash-generating unit is lower than the carrying amount by RMB91,623,000. The impairment amount has been allocated to the long-term assets held by the subsidiary incorporated in Thailand such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment loss of RMB91,623,000 has been recognised against property, plant and equipment held by this subsidiary. As at 31 December 2023, the carrying amount of property, plant and equipment located in Thailand is RMB983,046,000 after taking into account such impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

17. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2023			
Carrying amount	619,487	706	620,193
At 31 December 2022			
Carrying amount	634,042	959	635,001
For the year ended 31 December 2023			
Amortisation	15,637	253	15,890
Additions to right-of-use assets	1,082	–	1,082
For the year ended 31 December 2022			
Amortisation	15,342	247	15,589
Additions to right-of-use assets	23,567	142	23,709
Disposal of right-of-use assets	–	323	323
	<u> </u>	<u> </u>	<u> </u>
		Year ended	Year ended
		31/12/2023	31/12/2022
		<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases		117	205
Total cash outflow for leases		<u>1,490</u>	<u>24,057</u>

For both years, the Group leases lands located in the PRC and office premises for its operations. Lease contracts are entered into for fixed term of 2 to 70 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2023, the Group's certain leasehold lands located in the PRC with carrying amount of RMB195,746,000 (2022: RMB199,896,000) have been pledged as securities for the Group's bank borrowings as set out in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

17. RIGHT-OF-USE ASSETS – CONTINUED

The Group regularly entered into short-term leases for its office premises. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, lease liabilities of RMB779,000 are recognised with related right-of-use assets of RMB706,000 as at 31 December 2023 (2022: lease liabilities of RMB1,030,000 are recognised with related right-of-use assets of RMB959,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

18. FREEHOLD LAND

	<i>RMB'000</i>
At 1 January 2022	64,105
Exchange realignment	<u>3,437</u>
At 31 December 2022	67,542
Exchange realignment	<u>1,990</u>
At 31 December 2023	<u><u>69,532</u></u>

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

19. INVESTMENT PROPERTIES

	<i>RMB'000</i>
FAIR VALUE	
At 1 January 2022	121,740
Loss on fair value changes recognised in profit or loss	<u>(740)</u>
At 31 December 2022	121,000
Loss on fair value changes recognised in profit or loss	<u>(3,700)</u>
At 31 December 2023	<u><u>117,300</u></u>

Investment properties represent the office premises located in Shanghai, the PRC, which is held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and classified and accounted for as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

19. INVESTMENT PROPERTIES – CONTINUED

In determining the fair value of the relevant properties, it is the Group's policy to engage a third party qualified external valuer to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

The fair values of the Group's investment properties at 31 December 2023 and 2022 have been arrived at on the basis of the valuations carried out on that date by Cushman & Wakefield Limited, an independent qualified professional valuer not connected with the Group.

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

The key inputs used in valuing the investment properties were the market yield of 4.67% (2022: 4.67%) and rental ranging from RMB142 to RMB160 per square meter per month (2022: RMB146 to RMB165 per square meter per month). Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

	Level 3	
	31/12/2023	31/12/2022
	RMB'000	RMB'000
Office premises located in Shanghai	<u>117,300</u>	<u>121,000</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

20. DEFERRED TAXATION

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

	31/12/2023	31/12/2022
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	170,546	123,651
Deferred tax liabilities	(59,473)	(53,046)
	<u>111,073</u>	<u>70,605</u>

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

	Unrealised gain from impairment loss recognised on property, plant and equipment	property, plant and equipment transferred between group entities	Deferred income	Differences between accounting depreciation and tax depreciation	Allowance for credit losses	Fair value change on investment properties	Fair value adjustment arising from acquisition of subsidiary	Undistributed profits of a subsidiary	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022	-	53,280	49,877	(7,912)	11,323	(20,690)	(3,461)	(17,211)	65,206
Credit (charge) to profit or loss	-	1,096	8,035	(532)	40	(704)	147	(2,683)	5,399
At 31 December 2022	-	54,376	57,912	(8,444)	11,363	(21,394)	(3,314)	(19,894)	70,605
Effect of change in tax rate recognised in profit or loss	-	6,915	2,413	-	4,047	-	-	-	13,375
Credit (charge) to profit or loss	18,325	1,097	10,438	(248)	3,660	(53)	146	(6,272)	27,093
At 31 December 2023	<u>18,325</u>	<u>62,388</u>	<u>70,763</u>	<u>(8,692)</u>	<u>19,070</u>	<u>(21,447)</u>	<u>(3,168)</u>	<u>(26,166)</u>	<u>111,073</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

20. DEFERRED TAXATION – CONTINUED

As at 31 December 2023, the Group has not recognised deferred tax asset on deductible temporary differences amounting to RMB48,913,000 (2022: RMB188,304,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately RMB227,261,000 (2022: RMB199,176,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses, RMB224,795,000 (2022: RMB195,706,000) are with expiry dates within six years after the reporting period, as disclosed in the following table, RMB2,466,000 (2022: RMB2,466,000) may be carried forward indefinitely and for the year 31 December 2022, RMB1,004,000 tax losses are to expire within seventeen years which was utilised during the current year.

During the year ended 31 December 2023, no unrecognised tax losses is expired (for the year ended 31 December 2022: RMB1,761,000).

	31/12/2023	31/12/2022
	RMB'000	RMB'000
2023	–	(3,425)
2024	–	(17,388)
2025	–	–
2026	(7,741)	(7,741)
2027	(37,680)	(37,680)
2028	(179,374)	(129,472)
	<u>(224,795)</u>	<u>(195,706)</u>

21. PREPAYMENTS

The amount of RMB17,963,000 (2022: RMB20,963,000) represents the prepayment of road maintenance and management fee to a government authority for a period of 5.99 (2022: 6.99) years. As at 31 December 2023, an amount of RMB3,000,000 (2022: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as expenses within twelve months after the reporting date while the remaining RMB14,963,000 (2022: RMB17,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. INVENTORIES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Raw materials	483,738	425,926
Work in progress	184,273	202,026
Finished goods	235,632	553,217
	<u>903,643</u>	<u>1,181,169</u>

23. FINANCIAL ASSETS AT FVTPL

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Listed securities held for trading:		
– Equity securities listed in Hong Kong (<i>note i</i>)	<u>69,448</u>	<u>65,108</u>

Note:

- i. The fair value measurement of such investments are classified as Level 1 fair value measurement which are based on the quoted price published on the Stock Exchange. For the year ended 31 December 2023, the Group has recognised a fair value gain of RMB4,340,000 (for the year ended 31 December 2022: a fair value loss of RMB8,129,000) in respect of these listed securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

24. TRADE, BILLS AND OTHER RECEIVABLES

	31/12/2023	31/12/2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables – goods	4,203,571	3,194,017
Less: Allowance for credit losses	(68,942)	(55,828)
	4,134,629	3,138,189
Bills receivable	3,395,046	4,350,647
Less: Allowance for credit losses	(1,950)	(1,950)
	3,393,096	4,348,697
	7,527,725	7,486,886
Advances to suppliers of raw materials	379,121	522,456
Prepayments for spool	26,003	23,145
Value-added tax recoverable	67,147	88,451
Other prepayments	10,469	12,728
Other receivables	22,894	19,313
Less: allowance for credit losses on other receivables	(5,262)	(5,262)
	500,372	660,831
	8,028,097	8,147,717

As at 1 January 2022, trade receivables from contracts with customers and bills receivable, net of allowance for credit losses, amounted to RMB3,046,471,000 and RMB4,579,259,000 respectively.

The Group has a policy of allowing an average credit period of 30 to 90 days to its trade customers and the Group allows domestic customers to pay bills or letter of credit to settle the trade receivables. Bills receivable and letter of credit received by the Group are with a maturity period of less than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

24. TRADE, BILLS AND OTHER RECEIVABLES – CONTINUED

The following is an aged analysis of trade and bills receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period which approximated the revenue recognition date:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade receivables		
0 – 90 days	2,671,355	2,218,549
91 – 120 days	384,243	333,150
121 – 180 days	370,143	321,402
181 – 360 days	581,747	261,400
Over 360 days	127,141	3,688
	<u>4,134,629</u>	<u>3,138,189</u>
Bills receivable		
0 – 90 days	482,928	278,447
91 – 180 days	1,556,873	1,313,346
181 – 360 days	1,334,207	2,292,295
Over 360 days	19,088	464,609
	<u>3,393,096</u>	<u>4,348,697</u>

The Group's trade and other receivables that are denominated in currencies other than the functional currency of the group entities are set out below:

	Equivalent to		Equivalent to	
	31/12/2023	RMB	31/12/2022	RMB
	'000	'000	'000	'000
United States Dollar ("USD")	89,024	630,529	90,305	628,937
EURO ("EUR")	12,692	99,748	16,429	121,951
RMB	<u>102</u>	<u>102</u>	<u>229</u>	<u>229</u>

Details of the Group's credit risk management and expected credit losses assessment of trade, bills and other receivables are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

24. TRADE, BILLS AND OTHER RECEIVABLES – CONTINUED

Note: Transfers of financial assets

The following were the Group's financial assets as at 31 December 2023 and 2022 that were transferred to suppliers or banks by endorsing or discounting bills receivable on a full recourse basis. There is no restriction on the use of the bills. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables. The associated assets and liabilities are shown in below. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2023

	Bills receivable endorsed/ discounted to suppliers/banks with full recourse RMB'000
Carrying amount of transferred assets	2,513,972
Carrying amount of associated assets/liabilities	
– Advances to suppliers of raw materials	942,225
– Trade payables	1,394,661
– Payables for purchase of property, plant and equipment	3,102
– Bank borrowings	173,984
Net position	–

As at 31 December 2022

	Bills receivable endorsed/discouted to suppliers/banks with full recourse RMB'000
Carrying amount of transferred assets	2,958,915
Carrying amount of associated assets/liabilities	
– Advances to suppliers of raw materials	1,015,852
– Trade payables	1,777,463
– Payables for purchase of property, plant and equipment	2,200
– Bank borrowings	163,400
Net position	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

25. TERM DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group. The bank balances carry market interest rates ranging from 0.01% to 1.60% (2022: 0.01% to 1.15%) per annum.

	31/12/2023	31/12/2022
	RMB'000	RMB'000
<i>Non-current</i>		
Pledged term deposits	672,692	790,388
Other non-current term deposits	52,645	709,285
	725,337	1,499,673
<i>Current</i>		
Pledged term deposits	212,496	1,188,205
Restricted term deposits	8,055	6,115
Other current term deposits	1,795,289	228,483
	2,015,840	1,422,803
	2,741,177	2,922,476

Deposits with maturity periods over 3 months but within 1 year are presented as current assets whilst deposits with maturity periods of one to three years (2022: one to three years) are presented as non-current assets. All of the Group's term deposits, which are not pledged, can be early withdrawn anytime before contractual maturity, according to managements' intention, by sacrificing term deposits interests. As at 31 December 2023, other than a RMB1,736,680,000 term deposits with original maturity from 2025 to 2027 (the "Term Deposit"), the directors of the Company consider that the Group will not early withdraw the term deposits before maturity. The Term Deposits are expected to be early withdrawn in order to meet the Group's liquidity demand in the coming 12 months after the reporting period.

Pledged term deposits are placed with banks in the PRC and represent term deposits pledged to banks to secure bank borrowings.

Restricted term deposits are placed with banks in Thailand and represent term deposits to guarantee purchase agreements of natural gas and utility entered into by a subsidiary of the Company located in Thailand.

The term deposits are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The term deposits, other than the Term Deposit expected to be early withdrawn by the managements, carry fixed interest rates for both years, that the effective interest rates range from 2.10% to 4.13% per annum (2022: from 2.10% to 4.13% per annum) for the Group. The Term Deposit carries market interest rate. The carrying amounts of the term deposits of the Group approximated their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

25. TERM DEPOSITS AND BANK BALANCES AND CASH – CONTINUED

The Group's bank balances and cash and term deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	Equivalent to		Equivalent to	
	31/12/2023	RMB	31/12/2022	RMB
	'000	'000	'000	'000
Hong Kong dollars ("HK\$")	5,245	5,032	3,485	3,103
USD	13,010	92,264	47,784	332,670
EUR	1,889	14,655	5,903	43,801
RMB	1,039	1,039	198	198

26. TRADE AND OTHER PAYABLES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade payables	2,870,066	3,472,657
Trade payables under supplier finance arrangements (note i)	615,000	360,000
	3,485,066	3,832,657
Value-added tax payables and other tax payables	35,772	7,523
Accrued staff costs	253,386	300,446
Payables for purchase of property, plant and equipment	1,033,570	1,058,382
Amount due to a related party (note 37(i))	8,018	–
Accrued interest expenses	10,326	6,184
Accrued expenses	142,158	55,087
Others	46,987	25,657
	1,530,217	1,453,279
	5,015,283	5,285,936

Note:

- There relate to trade payables in which the Group has been offered by main suppliers to settle purchase of goods with bills payable. Before bills payable expired, the Group continues to recognise these obligations to suppliers as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

26. TRADE AND OTHER PAYABLES – CONTINUED

The following is an aged analysis of trade payable and trade payables under supplier finance arrangements presented based on the transaction date at the end of the reporting period:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade payables		
0 – 90 days	1,753,699	650,047
91 – 180 days	522,374	1,170,817
181 – 360 days	373,815	1,544,298
Over 360 days	220,178	107,495
	<u>2,870,066</u>	<u>3,472,657</u>

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade payables under supplier finance arrangements		
0 – 90 days	187,202	310,000
91 – 180 days	427,798	–
181 – 360 days	–	50,000
	<u>615,000</u>	<u>360,000</u>

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

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's trade and other payables that are denominated in currencies other than the functional currency of the group entities are set out below:

	Equivalent to		Equivalent to	
	31/12/2023	RMB	31/12/2022	RMB
	'000	'000	'000	'000
USD	9,595	68,324	5,258	36,622
EUR	742	5,830	402	2,983
RMB	<u>358,990</u>	<u>358,990</u>	<u>341,713</u>	<u>341,713</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

27. CONTRACT LIABILITIES

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

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

As at 1 January 2023, contract liabilities amounted to RMB57,275,000 (2022: RMB44,847,000), all of which has been recognised as the Group's revenue during the year ended 31 December 2023.

28. BORROWINGS

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Bank borrowings	<u>6,630,050</u>	<u>6,891,831</u>
Secured (<i>note</i>)	2,147,478	3,032,618
Unsecured	<u>4,482,572</u>	<u>3,859,213</u>
	<u>6,630,050</u>	<u>6,891,831</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

28. BORROWINGS – CONTINUED

The Group's bank borrowings are repayable as follows:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Carrying amount repayable (based on scheduled repayment terms) (excluding repayable on demand borrowings)		
Within one year	5,752,450	4,837,831
More than one year but not exceeding two years	445,600	1,152,500
More than two years but not exceeding five years	64,125	–
	6,262,175	5,990,331
Carrying amount of above borrowings that are repayable on demand due to breach of borrowing covenant (shown under current liabilities)	367,875	901,500
	6,630,050	6,891,831
Less: Amounts due within one year shown under current liabilities	(6,120,325)	(5,739,331)
Amounts shown under non-current liabilities	509,725	1,152,500

Note: These borrowings secured by pledged term deposits, leasehold lands and bills receivable amounting to RMB885,188,000, RMB195,746,000 and RMB173,984,000, respectively (2022: secured by pledged term deposits, leasehold lands and bills receivable amounting to RMB1,978,593,000, RMB199,896,000 and RMB163,400,000, respectively), details of which are set out in notes 25, 17 and 24.

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Bank borrowings comprise:		
Fixed-rate borrowings	5,490,490	5,604,609
Variable-rate borrowings	1,139,560	1,287,222
	6,630,050	6,891,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

28. BORROWINGS – CONTINUED

The Group's variable-rate bank borrowings carry interests at 2.20% above 1-month Hong Kong and InterBank Offered Rate, which are reset monthly, and 0.20% above 5-year Loan Prime Rate and 1.00% above 1-year Loan Prime Rate, which are reset yearly (2022: 2.20% above 1-month Hong Kong and InterBank Offered Rate, which are reset monthly, and 0.25% to 1.00% above 1-year Loan Prime Rate, which are reset yearly).

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

	31/12/2023	31/12/2022
Effective interest rates:		
Fixed-rate borrowings	1.35% – 3.90%	1.35% – 4.05%
Variable-rate borrowings	<u>2.90% – 7.73%</u>	<u>3.40% – 7.22%</u>

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

	31/12/2023	31/12/2022
	RMB'000	RMB'000
HK\$	<u>81,560</u>	<u>160,722</u>

Since the year ended 31 December 2022, in respect of a Syndicated Borrowing Contract entered into by a non-wholly owned subsidiary of the Company and five banks (the "Syndicated Borrowing"), the subsidiary of the Company breached certain of the terms of the bank borrowing, which are primarily related to the asset-liquidity ratio of the entity and the Group. On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loan with the relevant bankers. For those bank lenders has not agreed to waive its right to demand immediate payment as at the end of the reporting period, respective loan balances have been classified as a current liability with a carrying amount of RMB367,875,000 as a 31 December 2023 (31 December 2022: RMB901,500,000). In any event, should the lender call for immediate repayment of the Syndicated Borrowing, the directors of the Company believe that adequate alternative sources of finance, including unpledged term deposits and unutilised bank facilities, are available to ensure that there is no threat to the continuing operations of the Group.

Subsequent to the reporting period, RMB282,875,000 out of RMB367,875,000 borrowings which have been classified as a current liability arising from the covenant breach, has been repaid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. DEFERRED INCOME

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Deferred income – non-current liability	<u>283,053</u>	<u>255,702</u>

During the year ended 31 December 2023, the Group received government grant of RMB32,917,000 (2022: RMB34,992,000) to support the Group's industrial projects. The amount has been accounted for as deferred income and released to income over the useful lives of the relevant assets. As at 31 December 2023, balance of RMB283,053,000 (2022: RMB255,702,000) remains to be amortised.

30. LEASE LIABILITIES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	250	251
Within a period of more than one year but not more than two years	198	250
Within a period of more than two years but not more than five years	<u>331</u>	<u>529</u>
	779	1,030
Less: Amount due to settlement with 12 months shown under current liabilities	<u>(250)</u>	<u>(251)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>529</u>	<u>779</u>

The weighted average incremental borrowing rates applied to lease liabilities is 4.35% for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

31. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Obligations arising from repurchase of shares – current liability	<u>223,944</u>	<u>249,677</u>

On 16 December 2020, Jiangsu Xingda, an indirectly non-wholly owned subsidiary of the Company, entered into capital increase agreements (the “Capital Increase Agreements”) with five strategic investors (hereinafter collectively referred to as the “Investors”), namely, Chengshan Group, Linglong Tire, Sailun Group, Triangle Tyre and Jiaying Jianxin Chenyue, pursuant to which the Investors subscribed for, in aggregate, 3.35% of the equity interest, representing RMB63,888,885 of enlarged paid-in capital of Jiangsu Xingda, by way of cash contribution at an aggregate consideration of RMB230,000,000.

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

In January 2023, Jiaying Jianxin Chenyue, who held equity interests representing approximately 0.44% of the total issued capital of Jiangsu Xingda, exercised the put option and entered into an equity transfer agreement with Xingda Xiu Yuan and Xingda Xiu Yuan purchased all the aforesaid equity interests in Jiangsu Xingda held by Jiaying Chenyue (the “Relevant Transfer”) at a consideration of RMB32,565,000, representing full consideration of its capital injection plus imputed interest at 8% per annum deducting all dividend (including tax) received from Jiangsu Xingda starting from the date of payment of share subscription. Upon the completion of the Relevant Transfer, obligation arising from repurchases of shares to Jiaying Jianxin Chenyue amounting to RMB32,565,000 is derecognised and Xingda Xiu Yuan became a non-controlling interest of the Group since then.

Till 31 December 2023, none of the other four strategic investors exercised the put option. The obligation of the Group arising from repurchase of shares was regarded as a financial liability with present value of RMB223,944,000 at 31 December 2023 (2022: RMB249,677,000). The imputed interest of 8% per annum charged to profit or loss under finance costs during the current period amounted to RMB15,999,000 (for the year ended 31 December 2022: RMB18,604,000) and dividends received from Jiangsu Xingda amounted to RMB9,167,000 (for the year ended 31 December 2022: RMB17,889,000), which was deducted from the obligations arising from repurchase of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

32. SHARE CAPITAL

	Number of shares		Share capital	
	2023 '000	2022 '000	2023 RMB'000	2022 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 1 January and 31 December	<u>1,662,445</u>	<u>1,662,445</u>	<u>163,218</u>	<u>163,218</u>

Neither the Company nor any of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2023 and 2022.

33. SHARE-BASED PAYMENTS

Share-Award Scheme

The Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 4 September 2009 for the primary purpose of providing incentives to the participants of the Scheme (the "Participants") including the directors and certain employees of the Group, to achieve performance goals which in turn achieve the objectives of increasing the value of the Group and align the interests of directors and eligible employees directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the Participants in accordance to the rules of the Scheme.

No shares have been purchased from the open market pursuant to the Scheme during the years ended 31 December 2023 and 2022. At 31 December 2023 and 2022, 2,139,665 treasury shares were held by the trustee.

During the year ended 31 December 2023, no awarded shares vested during the year and 2,892,000 awarded shares were forfeited resulting from the retirement of two directors of the Company during the year (for the year ended 31 December 2022: 3,333,333 awarded shares vested).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

33. SHARE-BASED PAYMENTS – CONTINUED

Share-Award Scheme – continued

Movements in the number of awarded shares outstanding during the year are as follows:

2023

Categories of awardees	Date of grant	Fair value per share HK\$	Number of awarded shares			Outstanding at 31 December 2023	Vesting period
			Outstanding at 1 January 2023	Vested during the year	Forfeited during the year		
Directors of the Company (note)	22 August 2019	1.365	2,050,000	–	(433,500)	1,616,500	22 August 2019 to 31 March 2023
Directors of the Company	22 August 2019	1.253	2,050,000	–	(433,500)	1,616,500	22 August 2019 to 31 March 2024
Employees (note)	22 August 2019	1.474	1,283,333	–	–	1,283,333	22 August 2019 to 31 March 2023
Employees	22 August 2019	1.443	1,283,334	–	–	1,283,334	22 August 2019 to 31 March 2024
Directors of the Company	30 November 2021	1.147	3,250,000	–	(675,000)	2,575,000	30 November 2021 to 31 March 2025
Directors of the Company	30 November 2021	1.065	3,250,000	–	(675,000)	2,575,000	30 November 2021 to 31 March 2026
Directors of the Company	30 November 2021	1.000	3,250,000	–	(675,000)	2,575,000	30 November 2021 to 31 March 2027
Employees	30 November 2021	1.189	1,750,000	–	–	1,750,000	30 November 2021 to 31 March 2025
Employees	30 November 2021	1.163	1,750,000	–	–	1,750,000	30 November 2021 to 31 March 2026
Employees	30 November 2021	1.153	1,750,000	–	–	1,750,000	30 November 2021 to 31 March 2027
			<u>21,666,667</u>	<u>–</u>	<u>(2,892,000)</u>	<u>18,774,667</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

33. SHARE-BASED PAYMENTS – CONTINUED

Share-Award Scheme – continued

2022

Categories of awardees	Date of grant	Fair value per share HK\$	Number of awarded shares			Vesting period
			Outstanding at 1 January 2022	Vested during the year	Outstanding at 31 December 2022	
Directors of the Company	22 August 2019	1.487	2,050,000	(2,050,000)	–	22 August 2019 to 31 March 2022
Directors of the Company (note)	22 August 2019	1.365	2,050,000	–	2,050,000	22 August 2019 to 31 March 2023
Directors of the Company	22 August 2019	1.253	2,050,000	–	2,050,000	22 August 2019 to 31 March 2024
Employees	22 August 2019	1.532	1,283,333	(1,283,333)	–	22 August 2019 to 31 March 2022
Employees (note)	22 August 2019	1.474	1,283,333	–	1,283,333	22 August 2019 to 31 March 2023
Employees	22 August 2019	1.443	1,283,334	–	1,283,334	22 August 2019 to 31 March 2024
Directors of the Company	30 November 2021	1.147	3,250,000	–	3,250,000	30 November 2021 to 31 March 2025
Directors of the Company	30 November 2021	1.065	3,250,000	–	3,250,000	30 November 2021 to 31 March 2026
Directors of the Company	30 November 2021	1.000	3,250,000	–	3,250,000	30 November 2021 to 31 March 2027
Employees	30 November 2021	1.189	1,750,000	–	1,750,000	30 November 2021 to 31 March 2025
Employees	30 November 2021	1.163	1,750,000	–	1,750,000	30 November 2021 to 31 March 2026
Employees	30 November 2021	1.153	1,750,000	–	1,750,000	30 November 2021 to 31 March 2027
			<u>25,000,000</u>	<u>(3,333,333)</u>	<u>21,666,667</u>	

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

The awarded shares granted in 2021 would be vested in tranches over a period of three years from 2025 to 2027.

Note: The vesting period of the tranche has been suspended to 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

33. SHARE-BASED PAYMENTS – CONTINUED

Share-Award Scheme – continued

The Group recognised the total expenses of RMB2,591,000 for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB6,716,000) in relation to shares granted under the Scheme by the Company.

34. OPERATING LEASES ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was RMB2,171,000 (2022: RMB3,624,000). All of the properties held have committed tenants for the next five years (2022: six years).

At 31 December 2023 and 2022, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Within one year	2,676	3,720
In the second year	1,948	2,901
In the third year	1,161	1,948
In the fourth year	1,161	1,161
In the fifth year	291	1,161
After five years	–	291
	7,237	11,182

35. CAPITAL COMMITMENTS

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and freehold land contracted for but not provided in the consolidated financial statements	228,739	272,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

36. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The employees of the Group's entities in Hong Kong participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme at a cap at HK\$1,500 per month, which contribution is matched by the employee.

The employees of the Group's subsidiaries in PRC are covered by government-sponsored defined contribution pension schemes, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 16.0% (2022: 16.0%) of the employees' salaries subject to the minimum requirement of the local government, which are charged to operations as expenses when the contributions are due.

The Group's contribution to the retirement benefit scheme that is charged to profit or loss is RMB70,206,000 (2022: RMB62,971,000) for the year ended 31 December 2023.

37. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and a related party are disclosed below:

Name of related parties	Nature of transaction	Year ended	Year ended
		31/12/2023	31/12/2022
		RMB'000	RMB'000
<i>Xingda Xiu Yuan (note i)</i>	Services fee for hotel and catering services	18,148	16,177
	Provision of utilities	467	494
	Dividend declared and paid	1,375	–
<i>Xinghua Xingda Rural Small Loan Co., Ltd. (note ii)</i>	Interest expenses for borrowings	661	–

Notes:

- (i) Xingda Xiu Yuan is a limited company controlled by a director of the Company and also a non-controlling interest of the Group.
- (ii) Xinghua Xingda Rural Small Loan Co., Ltd. is a limited company which is a non-wholly owned subsidiary of Xingda Xiu Yuan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

37. RELATED PARTY TRANSACTIONS – CONTINUED

Compensation of key management personnel

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

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Short-term benefits	34,390	32,825
Post-employment benefits	424	326
Share-based payments	2,591	5,713
	<u>37,405</u>	<u>38,864</u>

The remuneration of directors and key management is determined by the Remuneration and Management Development Committee having regard to the performance of individuals and market trends.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

As at 31 December 2023

	Bank borrowings	Accrued interest expenses	Dividend payable	Lease liabilities	Obligations arising from repurchase of shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	6,891,831	6,184	187,950	1,030	249,677	7,336,672
Financing cash flows	(307,215)	(231,466)	(408,689)	(291)	(9,167)	(956,828)
Settlement by discounted bills	(163,400)	-	-	-	-	(163,400)
Dividend declared	-	-	307,029	-	-	307,029
Interest expenses	-	217,488	-	40	15,999	233,527
Interest capitalised	-	18,120	-	-	-	18,120
Effect of put options of shares of a subsidiary granted to non-controlling interests (note 31)	-	-	-	-	(32,565)	(32,565)
Direct settlement of utilities by bank	207,993	-	-	-	-	207,993
Exchange difference	841	-	-	-	-	841
As at 31 December 2023	6,630,050	10,326	86,290	779	223,944	6,951,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – CONTINUED

As at 31 December 2022

	Bank borrowings	Accrued interest expenses	Dividend payable	Lease liabilities	Obligations arising from repurchase of shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	5,549,478	7,000	263,377	1,494	248,962	6,070,311
Financing cash flows	892,000	(221,071)	(354,675)	(285)	(9,583)	306,386
Settlement by discounted bills	(91,591)	–	–	–	–	(91,591)
Dividend declared	–	–	279,248	–	–	279,248
Interest expenses	–	177,115	–	45	18,604	195,764
Interest capitalised	–	43,140	–	–	–	43,140
Effect of put options of shares of a subsidiary granted to non-controlling interests (note 31)	–	–	–	–	(8,306)	(8,306)
Additions to right-of-use assets	–	–	–	142	–	142
Disposal of right-of-use assets	–	–	–	(366)	–	(366)
Direct settlement of utilities by bank	527,718	–	–	–	–	527,718
Exchange difference	14,226	–	–	–	–	14,226
As at 31 December 2022	<u>6,891,831</u>	<u>6,184</u>	<u>187,950</u>	<u>1,030</u>	<u>249,677</u>	<u>7,336,672</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31/12/2023	31/12/2022
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Financial assets at amortised cost	10,857,335	11,248,280
Financial assets at FVTPL	69,448	65,108
Financial liabilities		
Amortised cost	11,524,251	12,252,338

b. Financial risk management objectives and policies

The Group's major financial instruments include term deposits, bank balances and cash, trade, bills and other receivables, financial assets at FVTPL, trade and other payables, dividend payable, borrowings and obligations arising from repurchase of shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 32.1% (2022: 30.9%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst 5.0% (2022: 5.5%) of costs is denominated in currencies other than the functional currency of the group entity.

Certain trade, bills and other receivables, bank balances, trade and other payables, and borrowings of the Group are denominated in USD, HK\$, EUR, and RMB. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Foreign currency sensitivity

The following details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against USD, HK\$ and EUR and Thailand Baht ("THB") against RMB, USD and EUR. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year ended for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where RMB strengthen 5% (2022: 5%) against USD, HK\$ and EUR and THB against RMB, USD and EUR, and vice versa.

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
RMB against USD	(24,229)	(37,648)
RMB against HK\$	3,828	7,882
RMB against EUR	(4,025)	(6,838)
THB against RMB	17,892	17,064
THB against USD	(4,068)	(1,820)
THB against EUR	(694)	(94)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate term deposits (see note 25 for details), fixed-rate borrowings (see note 28 for details), lease liabilities (see note 30 for details) and obligations arising from repurchase of shares (see note 31 for details). The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see note 28 for details of these borrowings) and variable-rate bank balances and the Term Deposit expected to be early withdrawn (see note 25 for details of these bank balances and the Term Deposit). It is the Group's policy to keep certain of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

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

Market risk – continued

(ii) Interest rate risk – *continued*

The Group's exposures to interest rates on financial liabilities are detailed in respective notes and the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and China Loan Prime Rate.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to variable-interest-rate bank balances, the Term Deposit and bank borrowings (2022: variable-interest-rate bank borrowings) at the end of the reporting period.

A 10 basis points and 50 basis points increase or decrease for financial assets and financial liabilities (2022: 50 basis points increase or decrease for financial liabilities), respective are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For financial assets, if interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would increase/decrease by approximately RMB2,251,000.

For financial liabilities, if interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by approximately RMB5,698,000 (2022: RMB6,436,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

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

Market risk – continued

(iii) Other price risk

The Group is exposed to price risk through its financial assets at FVTPL. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the price of the respective financial assets at FVTPL has been 5% higher/lower, profit for the year ended 31 December 2023 would increase/decrease by RMB3,472,000 (2022: RMB3,255,000) as a result of the changes in fair value of financial assets at FVTPL.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of the Group's price risk as it only reflects the impact of price changes to financial assets at FVTPL held at the end of each reporting period but not the exposure during the year ended 31 December 2023.

Credit risk and impairment assessment

As at 31 December 2023 and 2022, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

Trade receivables arising from contracts with customers

Before accepting any new customers, the Group would assess the credit quality of each potential customer and define credit limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in the contracts to determine the recoverability of a trade receivable.

The Group has enhanced its credit risk management by accepting letter of credit issued by reputable banks for certain domestic customers.

In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually for credit-impaired balances or on a collective basis for non-credit-impaired balances. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 78.4% (2022: 72.6%) of the total trade receivables as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Bills receivable arising from contracts with customers

The Group performs impairment assessment under ECL model upon application of IFRS 9 on bills receivable arising from contracts with customers based on 12m ECL. The credit risk on bills receivable is limited since the settlement parties are reputable banks with high credit ratings assigned by international credit-rating agencies.

Other receivables

The Group has taken into account the financial position of the counterparties, based on the track record of regular settlements, the amounts are expected to be recoverable and the expected credit losses on other receivables are considered to be insignificant.

Term deposits and bank balances

The Group performs impairment assessment under ECL model upon application of IFRS 9 on term deposits and bank balances based on 12m ECL.

The credit risk on liquid funds is limited because the counterparties are various banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2023	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs					
Trade receivables	24	N/A	Low risk (note)	Lifetime ECL (not credit-impaired) (collective assessment)	4,187,083
			Loss	Lifetime ECL (credit-impaired)	16,488
					4,203,571
Bills receivable	24	Baa3 – A1	Low risk	12-month ECL	3,393,096
			Loss	Lifetime ECL (credit-impaired)	1,950
					3,395,046
Other receivables	24	N/A	Low risk	12-month ECL	17,632
			Loss	Lifetime ECL (credit-impaired)	5,262
					22,894
Bank balances	25	Baa2 – A1	Low risk	12-month ECL	569,864
Term deposits	25	Baa2 – A1	Low risk	12-month ECL	2,741,177
					10,932,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:
– continued

2022	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs					
Trade receivables	24	N/A	Low risk (note)	Lifetime ECL (not credit-impaired) (collective assessment)	3,164,528
			Loss	Lifetime ECL (credit-impaired)	29,489
					3,194,017
Bills receivable	24	Baa1 – Aa3	Low risk	12-month ECL	4,348,697
			Loss	Lifetime ECL (credit-impaired)	1,950
					4,350,647
Other receivables	24	N/A	Low risk	12-month ECL	14,051
			Loss	Lifetime ECL (credit-impaired)	5,262
					19,313
Bank balances	25	Baa2 – Aa3	Low risk	12-month ECL	824,012
Term deposits	25	Baa2 – Aa3	Low risk	12-month ECL	2,922,476
					11,310,465

Note: For trade receivables for sales of radial tire cords, bead wires and other wires, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. For trade receivables, except for debtors that are credit-impaired, the Group determines the expected credit losses on these items by using collective basis, grouped by nature and industry of the customers, representing customers' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on a collective basis as at 31 December 2023 within lifetime ECL (not credit-impaired). Credit-impaired debtors included in trade receivables with gross carrying amount of RMB16,488,000 (2022: RMB29,489,000) as at 31 December 2023 were assessed individually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

At 31 December 2023

	Weighted- average expected credit loss rate %	Total gross carrying amount RMB'000	Lifetime ECL RMB'000
Customers of auto-related industry	1.267	3,847,928	48,744
Customers in chemicals, plastics and rubber industries	1.003	317,639	3,187
Others	2.431	21,516	523
Total		<u>4,187,083</u>	<u>52,454</u>

At 31 December 2022

	Weighted-average expected credit loss rate %	Total gross carrying amount RMB'000	Lifetime ECL RMB'000
Customers of auto-related industry	0.830	2,920,908	24,245
Customers in chemicals, plastics and rubber industries	0.659	216,034	1,424
Others	2.429	27,586	670
Total		<u>3,164,528</u>	<u>26,339</u>

During the year ended 31 December 2023, the Group recorded a net recognition of impairment losses under ECL model of RMB26,115,000 (2022: a net reversal of impairment losses under ECL model of RMB2,550,000) for trade receivables, based on the collective basis. Net reversal of impairment losses under ECL model of RMB120,000 (2022: a net recognition of impairment losses under ECL model of RMB5,093,000) were recognised on credit-impaired debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	28,940	24,173	53,113
Impairment loss recognised	7,108	5,555	12,663
Impairment loss reversed	(9,658)	(462)	(10,120)
Transfer	(51)	51	–
Recovery after written-off	–	172	172
	<hr/>	<hr/>	<hr/>
As at 31 December 2022	26,339	29,489	55,828
Impairment loss recognised	29,191	138	29,329
Impairment loss reversed	(3,076)	(258)	(3,334)
Amount written-off (note)	–	(12,881)	(12,881)
	<hr/>	<hr/>	<hr/>
As at 31 December 2023	<u>52,454</u>	<u>16,488</u>	<u>68,942</u>

Note: During the year ended 31 December 2023, the Group writes off trade receivables of gross carrying amount of RMB12,881,000 for a debtor in severe financial difficulty and when there was no realistic prospect of recovery, i.e. when the debtor's liquidation plan has been approved by debtor's liquidation committee and court.

During the years ended 31 December 2023 and 2022, no impairment loss was recorded for other receivables.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31 December 2023

	Weighted average interest rate %	On demand or with 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and other payables	-	4,583,967	-	-	-	4,583,967	4,583,967
Dividend payable	-	86,290	-	-	-	86,290	86,290
Borrowings–							
– variable rate	4.18	978,604	124,981	65,387	-	1,168,972	1,139,560
– fixed rate	2.97	5,236,681	343,355	-	-	5,580,036	5,490,490
Lease liabilities	4.35	279	217	343	-	839	779
Obligations arising from repurchase of shares	7.28	223,944	-	-	-	223,944	223,944
		<u>11,109,765</u>	<u>468,553</u>	<u>65,730</u>	<u>-</u>	<u>11,644,048</u>	<u>11,525,030</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity risk tables – continued

At 31 December 2022

	Weighted average interest rate %	On demand or with 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and other payables	–	4,922,880	–	–	–	4,922,880	4,922,880
Dividend payable	–	187,950	–	–	–	187,950	187,950
Borrowings–							
– variable rate	4.79	1,087,028	214,384	–	–	1,301,412	1,287,222
– fixed rate	2.99	4,722,792	983,005	–	–	5,705,797	5,604,609
Lease liabilities	4.35	291	279	560	–	1,130	1,030
Obligations arising from repurchase of shares	7.28	249,677	–	–	–	249,677	249,677
		<u>11,170,618</u>	<u>1,197,668</u>	<u>560</u>	<u>–</u>	<u>12,368,846</u>	<u>12,253,368</u>

As at 31 December 2023, arising from breach of borrowing covenant of the Syndicated Borrowing as set out in note 28, carrying amounts of corresponding bank borrowings with a repayment on demand clause amounting to RMB367,875,000 (2022: RMB901,500,000) are presented as “on demand or within 1 year” in above liquidity table, RMB282,875,000 of which have been repaid subsequent to the reporting period.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if change in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

39. FINANCIAL INSTRUMENTS – CONTINUED

c. Fair value – continued

Financial assets

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	31 December 2023	31 December 2022			
	RMB'000	RMB'000			
Financial assets at FVTPL (note 23)	69,448	65,108	Level 1	Quoted price in active market.	N/A

40. MAJOR NON-CASH TRANSACTIONS

During the year, short-term borrowings drawn on discounted bills with recourse of RMB163,400,000 (2022: RMB91,591,000) have been settled by discounted bills upon maturity.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 are disclosed as follows:

Name of subsidiaries	Place of incorporation/ registration and operations	Issued and fully paid up share capital/registered capital		Attributable to equity interest held by the Group		Principal activities
		2023	2022	2023	2022	
Directly held by the Company						
Faith Maple	The British Virgin Islands	USD14,083	USD14,083	100%	100%	Investment holding
Indirectly held by the Company						
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司 (note i)	PRC	RMB2,862,262,865	RMB2,862,262,865	70.32%	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires
Shandong Xingda 山東興達鋼簾線有限公司 (note ii)	PRC	RMB579,686,886	RMB579,686,886	70.32%	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

- (i) Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 are disclosed as follows: –
continued

Name of subsidiaries	Place of incorporation/ registration and operations	Issued and fully paid up share capital/registered capital		Attributable to equity interest held by the Group		Principal activities
		2023	2022	2023	2022	
Shanghai Xingda 上海興達鋼簾線有限公司 (note ii)	PRC	RMB2,000,000	RMB2,000,000	70.32%	70.32%	Trading of radial tire cords and bead wires
Xingda International (Shanghai) 興達國際(上海)特種簾線有限公司 (note iii)	PRC	USD12,000,000	USD12,000,000	100%	100%	Commercial property investments
Taizhou Xingda Metal Products Co., Ltd 泰州興達特種鋼絲繩有限公司 (note ii)	PRC	RMB1,039,504,195	RMB1,039,504,195	100%	100%	Production and supply of heating power, manufacturing and distribution of radial tire cords and bead wires
Xingda Steel Cord (Thailand) Company Limited (note ii)	Thailand	THB5,059,005,800	THB4,639,727,200	70.32%	70.32%	Manufacture and distribution of radial tire cords, bead wires and other wires

Notes:

For those subsidiaries established in the PRC, their classification of establishment is as follows:

- (i) sino-foreign equity joint venture
- (ii) domestic invested company
- (iii) wholly foreign-owned enterprise

None of the subsidiaries had any loan capital and issued any debt securities subsisting at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		non-controlling interests		non-controlling interests		non-controlling interests	
		2023	2022	2023	2022	2023	2022
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Jiangsu Xingda 江蘇興達鋼簾線股份有限公司	PRC	29.68	29.68	187,988	209,821	2,393,968	2,289,269
Effect of put option of shares of a subsidiary granted to non-controlling interests (note 31)	N/A	N/A	N/A	N/A	N/A	(200,000)	(230,000)

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

	2023	2022
	RMB'000	RMB'000
Current assets	11,400,059	10,805,939
Non-current assets	8,539,044	8,887,638
Current liabilities	(11,119,911)	(9,905,190)
Non-current liabilities	(796,475)	(2,117,733)
	8,022,717	7,670,654
Equity attributable to owners of the Company	(5,828,749)	(5,611,385)
Non-controlling interests	(2,393,968)	(2,289,269)
Effect of put option of shares of a subsidiary granted to non-controlling interests (note 31)	200,000	230,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests. – *continued*

	Year ended 2023 RMB'000	Year ended 2022 RMB'000
Revenue	10,740,250	10,099,375
Cost of Sales	(8,621,663)	(7,848,024)
Profit and total comprehensive income for the year	644,574	726,217
Profit and total comprehensive income attributable to owners of the Company	453,265	510,676
Profit and total comprehensive income attributable to the non-controlling interests	191,309	215,541
Profit and total comprehensive income for the year	644,574	726,217
Dividend declared and paid to non-controlling interests	84,277	67,060
Net cash inflow from operating activities	1,544,328	784,409
Net cash outflow from investing activities	(954,781)	(1,749,730)
Net cash (outflow) inflow from financing activities	(874,947)	1,041,291
Net cash (outflow) inflow	<u>(285,400)</u>	<u>75,970</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	565,192	565,192
Amount due from a subsidiary	735,465	750,277
	1,300,657	1,315,469
CURRENT ASSETS		
Financial assets at fair value through profit or loss	69,448	65,108
Other receivables	24	24
Bank balances and cash	4,892	2,957
	74,364	68,089
CURRENT LIABILITIES		
Other payables	9,102	9,050
Bank borrowings	81,559	160,722
	90,661	169,772
NET CURRENT LIABILITIES	(16,297)	(101,683)
NET ASSETS	1,284,360	1,213,786
CAPITAL AND RESERVES		
Share capital	163,218	163,218
Reserves	1,121,142	1,050,568
TOTAL EQUITY	1,284,360	1,213,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – CONTINUED

Movement in share capital and reserves

	Share capital	Capital contribution reserve	Capital redemption reserve	Retained profits	Shares held under share-award scheme	Share-based payments reserve	Total
	RMB'000	RMB'000 (note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	163,218	266,960	9,700	700,158	(3,540)	2,620	1,139,116
Profit and total comprehensive income for the year	-	-	-	271,836	-	-	271,836
Dividend recognised as distribution (note 14)	-	-	-	(203,882)	-	-	(203,882)
Shares vested under the share-award scheme	-	-	-	5,925	-	(5,925)	-
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	6,716	6,716
At 31 December 2022	163,218	266,960	9,700	774,037	(3,540)	3,411	1,213,786
Profit and total comprehensive income for the year	-	-	-	290,735	-	-	290,735
Dividend recognised as distribution (note 14)	-	-	-	(222,752)	-	-	(222,752)
Recognition of equity-settled share-based payments (note 33)	-	-	-	-	-	2,591	2,591
At 31 December 2023	163,218	266,960	9,700	842,020	(3,540)	6,002	1,284,360

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

43. EVENTS AFTER THE REPORTING PERIOD

On 8 February 2024, an aggregate of 257,680,000 subscription shares of the Company (of an aggregate nominal value of HK\$25,768,000) have been issued at subscription price of HK\$1.31 per subscription share to the subscribers, representing (i) approximately 15.50% of the issued share capital of the Company immediately before the subscription; and (ii) approximately 13.42% of the issued share capital of the Company as enlarged by the allotment and issuance of the subscription shares immediately upon the subscription.

The gross proceeds from the subscriptions amounted to approximately HK\$337.6 million.



