XINGDA

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XINGDA INTERNATIONAL HOLDINGS LIMITED

興 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01899)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023 (unaudited)	2022 (unaudited)	
	RMB in Million	*RMB in Million*	**CHANGE**
Revenue	**5,418.1**	5,539.6	-2.2%
Gross profit	**1,027.3**	1,159.8	-11.4%
Gross profit margin	**19.0%**	20.9%	-1.9pp
EBITDA *(Note)*	**811.9**	721.1	+12.6%
Profit attributable to owners of the Company	**192.0**	164.8	+16.5%
Earnings per share – basic (RMB cents)	**11.57**	9.93	+16.5%
Earnings per share – diluted (RMB cents)	**11.48**	9.88	+16.2%

Note:

It is arrived at profit before finance costs, income tax expense, depreciation and amortisation.

INTERIM RESULTS

The board of directors (the “Board”) of Xingda International Holdings Limited (the “Company”) is pleased to announce the condensed consolidated financial statements of the Company and its subsidiaries (the “Group” or "Xingda”) for the six months ended 30 June 2023 (the “Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
	NOTES	**2023**	2022
		(unaudited)	(unaudited)
		RMB’000	*RMB’000*
Revenue	3	**5,418,080**	5,539,638
Cost of sales		**(4,390,803)**	(4,379,813)
Gross profit		**1,027,277**	1,159,825
Other income		**71,581**	113,590
Other expense		**(4,994)**	(24,885)
Government grants		**15,106**	4,528
Distribution and selling expenses		**(367,540)**	(533,447)
Administrative expenses		**(223,764)**	(214,320)
Other gains and losses, net	4	**44,911**	23,796
Impairment loss (recognised) reversed under expected credit loss model, net		**(2,834)**	1,594
Research and development expenditure		**(91,194)**	(92,407)
Finance costs	5	**(106,393)**	(97,541)
Profit before tax		**362,156**	340,733
Income tax expense	6	**(66,656)**	(82,228)
Profit for the period	7	**295,500**	258,505
Other comprehensive income (expense) item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**2,478**	(2,081)
Total comprehensive income for the period		**297,978**	256,424
Profit for the period attributable to:			
Owners of the Company		**192,042**	164,775
Non-controlling interests		**103,458**	93,730
		295,500	258,505

Total comprehensive income for the period attributable to:			
Owners of the Company		**193,630**	163,247
Non-controlling interests		**104,348**	93,177
		297,978	256,424
Earnings per share	9		
-Basic (RMB cents)		**11.57**	9.93
-Diluted (RMB cents)		**11.48**	9.88

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	NOTES	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,817,338**	6,765,865
Right-of-use assets		**627,098**	635,001
Freehold land		**68,215**	67,542
Investment properties		**121,000**	121,000
Term deposits		**818,690**	1,499,673
Deferred tax assets		**141,141**	123,651
Prepayments for acquisition of property, plant and equipment and freehold land		**213,230**	135,289
Prepayments		**16,463**	17,963
		8,823,175	9,365,984
CURRENT ASSETS			
Inventories		**1,184,971**	1,181,169
Financial asset at fair value through profit or loss ("FVTPL")		**66,897**	65,108
Trade, bills and other receivables	10	**7,862,617**	8,147,717
Tax recoverable		**2,046**	2,330
Term deposits		**2,227,034**	1,422,803
Bank balances and cash		**1,165,193**	824,867
		12,508,758	11,643,994
CURRENT LIABILITIES			
Trade, bills and other payables	11	**5,488,760**	5,285,936
Contract liabilities		**54,706**	57,275
Tax liabilities		**84,013**	103,748
Dividend payable		**337,042**	187,950
Borrowings - due within one year		**6,308,852**	5,739,331
Lease liabilities		**257**	251
Obligations arising from repurchase of shares		**215,944**	249,677
		12,489,574	11,624,168
NET CURRENT ASSETS		**19,184**	19,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,842,359**	9,385,810

	NOTE	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**56,906**	53,046
Borrowings - due after one year		**567,150**	1,152,500
Deferred income		**267,561**	255,702
Lease liabilities		**649**	779
		892,266	1,462,027
NET ASSETS		**7,950,093**	7,923,783
CAPITAL AND RESERVES			
Share capital	12	**163,218**	163,218
Share premium and other reserves		**5,679,868**	5,701,296
Equity attributable to owners of the Company		**5,843,086**	5,864,514
Non-controlling interests		**2,107,007**	2,059,269
TOTAL EQUITY		**7,950,093**	7,923,783

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
NET CASH FROM OPERATING ACTIVITIES	**1,324,360**	599,619
INVESTING ACTIVITIES		
Placement of term deposits	**(939,000)**	(1,173,025)
Purchases of property, plant and equipment	**(625,322)**	(807,914)
Payments for right-of-use assets	—	(23,567)
Withdrawal of term deposits	**761,000**	1,330,576
Receipts of assets-related government grants	**22,917**	34,991
Proceeds on disposal of property, plant and equipment	**714**	2,769
Interest received	**77,235**	23,994
Proceeds on disposal of FVTPL	—	10,356
Dividend received from financial asset at FVTPL	**1,990**	199
NET CASH USED IN INVESTING ACTIVITIES	**(700,466)**	(601,621)
FINANCING ACTIVITIES		
New borrowings raised	**3,314,417**	4,263,922
Repayments of borrowings	**(3,331,892)**	(3,674,468)
Dividend paid	**(167,104)**	(20,000)
Interest paid	**(117,874)**	(109,874)
Repayments of lease liabilities	**(124)**	(118)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(302,577)**	459,462
NET INCREASE IN CASH AND CASH EQUIVALENTS	**321,317**	457,460
CASH AND CASH EQUIVALENTS AT 1 JANUARY,	**824,867**	712,365
Effect of foreign exchange rate changes	**19,009**	8,471
CASH AND CASH EQUIVALENTS AT 30 JUNE,	**1,165,193**	1,178,296
represented by bank balances and cash	**1,165,193**	1,178,296

NOTES:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments 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

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

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

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 shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, 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 will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements for the year ending 31 December 2023.

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

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s consolidated financial statements for the year ending 31 December 2023.

IAS 1 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 in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Sales of products		
Radial tire cords		
- For trucks	**2,712,444**	2,752,236
- For passenger cars	**1,931,631**	1,948,748
Bead wires	**408,980**	468,750
Hose wires and other wires	**365,025**	369,904
	5,418,080	5,539,638
Timing of revenue recognition		
A point in time	**5,418,080**	5,539,638

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

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

Segment information

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

	As at 30 June 2023 (unaudited) ***RMB'000***	As at 31 December 2022 (audited) *RMB'000*
The PRC	**6,768,103**	6,597,928
Thailand	**1,095,241**	1,144,732
	7,863,344	7,742,660

Geographical information

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

	Six months ended 30 June	
	2023 (unaudited) ***RMB'000***	2022 (unaudited) *RMB'000*
The PRC (country of domicile)	**3,591,968**	3,578,773
India	**225,744**	235,294
Thailand	**199,549**	273,411
United States of America	**193,280**	193,664
Slovenska	**176,545**	129,707
Brazil	**144,599**	146,641
Korea	**115,159**	112,538
Indonesia	**70,064**	64,698
Others	**701,172**	804,912
	5,418,080	5,539,638

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

No customer contributes over 10% of the total revenue of the Group for the six months ended 30 June 2023 and 2022.

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Net foreign exchange gain	**50,072**	29,184
Dividend income from financial asset at FVTPL	**2,211**	3,160
Gain (loss) on change in fair value of financial asset at FVTPL	**1,789**	(6,670)
Loss on written off and disposal of property, plant and equipment	**(9,161)**	(1,878)
	44,911	23,796

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Interests on:		
Bank loans	**114,876**	106,672
Bills receivables discounted	**1,699**	1,008
Lease liabilities	**21**	23
Imputed interest on obligations arising from repurchase of shares	**7,999**	9,201
	124,595	116,904
Less: amounts capitalised in the cost of qualifying assets	**(18,202)**	(19,363)
	106,393	97,541

RMB12,949,000 borrowing costs capitalised during the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB19,363,000) is arisen on the specific borrowings with interest rates at the range of 4.65% to 4.85% per annum (for the six months ended 30 June 2022: 4.70% to 4.85%) to expenditure on qualifying assets.

During the current interim period, RMB5,253,000 borrowing costs capitalised is arisen on the general borrowing pool and are calculated by applying capitalisation rates of 3.00% to 3.95% per annum of group entities to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Current tax	**73,694**	72,479
Overprovision in prior years	**(15,770)**	(8,296)
Withholding tax	**22,362**	22,918
Deferred tax	**(13,630)**	(4,873)
	66,656	82,228

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

Following the renewal of the High-tech Enterprise Certificate issued on 30 November 2021, Jiangsu Xingda is entitled 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 periods.

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

No provision for taxation in Luxembourg has been made as assessable profit of the Group's subsidiary in Luxembourg was absorbed by its unrecognised tax loss for period ended 30 June 2023 (for six months ended 30 June 2022: no provision has been made as no assessable profit of the Group's subsidiary in Luxembourg was generated).

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	**424,622**	415,861
Retirement benefits scheme contributions	**35,664**	31,777
Share-based payments	**2,796**	3,437
Total staff costs	**463,082**	451,075
Less: capitalised in inventories	**(307,586)**	(297,227)
Less: included in research and development expenditure	**(22,399)**	(25,536)
	133,097	128,312
Depreciation and amortisation		
- Property, plant and equipment	**335,468**	275,214
- Right-of-use assets	**7,903**	7,603
Total depreciation and amortisation	**343,371**	282,817
Less: capitalised in inventories	**(287,373)**	(248,807)
Less: included in research and development expenditure	**(3,680)**	(3,867)
	52,318	30,143
Impairment loss on property, plant and equipment (included in cost of sales)	**91,623**	—

8. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend in respect of the year ended 31 December 2022 - 15.0 HK cents per share (2022: final dividend in respect of the year ended 31 December 2021 - 15.0 HK cents per share)	**222,752**	203,882

During the current interim period, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB222,752,000 for the year ended 31 December 2022 was approved at the annual general meeting of the Company held on 8 June 2023.

The board of directors has determined that no dividend will be paid for both interim periods.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the period attributable to owners of the Company	**192,042**	164,775
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,660,306**	1,658,740
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**13,035**	9,566
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**1,673,341**	1,668,306

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust.

10. TRADE, BILLS AND OTHER RECEIVABLES

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

	As at 30 June 2023 (unaudited) *RMB'000*	As at 31 December 2022 (audited) *RMB'000*
Trade receivables - goods	**3,508,525**	3,194,017
Less: Allowance for credit losses	**(58,878)**	(55,828)
	3,449,647	3,138,189
Bills receivables	**4,170,262**	4,350,647
Less: Allowance for credit losses	**(1,950)**	(1,950)
	4,168,312	4,348,697
	7,617,959	7,486,886
Advances to suppliers of raw materials	**178,545**	522,456
Prepayments for spools	**16,998**	23,145
Value-add tax receivable	**16,425**	88,451
Other receivables	**25,405**	19,313
Other prepayments	**12,547**	12,728
Less: Allowance for credit losses on other receivables	**(5,262)**	(5,262)
	244,658	660,831
	7,862,617	8,147,717

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:

	As at 30 June 2023 (unaudited) *RMB'000*	As at 31 December 2022 (audited) *RMB'000*
Trade receivables		
0 - 90 days	**2,499,547**	2,218,549
91 - 120 days	**341,228**	333,150
121 - 180 days	**290,216**	321,402
181 - 360 days	**279,258**	261,400
Over 360 days	**39,398**	3,688
	3,449,647	3,138,189

Bills receivables		
0 - 90 days	**372,542**	278,447
91 - 180 days	**1,270,531**	1,313,346
181 - 360 days	**2,063,591**	2,292,295
Over 360 days	**461,648**	464,609
	4,168,312	4,348,697

11. TRADE, BILLS AND OTHER PAYABLES

	As at 30 June 2023 (unaudited) ***RMB'000***	As at 31 December 2022 (audited) *RMB'000*
Trade payables	**3,108,662**	3,472,657
Bills payables	**1,024,305**	360,000
	4,132,967	3,832,657
Value-added tax payables and other tax payables	**15,578**	7,523
Accrued staff costs and pension	**252,703**	300,446
Payables for purchase of property, plant and equipment	**981,870**	1,058,382
Accrued interest expense	**4,906**	6,184
Accrued expenses	**79,233**	55,087
Others	**21,503**	25,657
	1,355,793	1,453,279
	5,488,760	5,285,936

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

	As at 30 June 2023 (unaudited) ***RMB'000***	As at 31 December 2022 (audited) *RMB'000*
Trade payables		
0 - 90 days	**1,075,288**	650,047
91 - 180 days	**549,308**	1,170,817
181 - 360 days	**1,362,040**	1,544,298
Over 360 days	**122,026**	107,495
	3,108,662	3,472,657

Bills payables		
0 - 90 days	**919,237**	310,000
91 - 180 days	**30,763**	—
181 - 360 days	**74,305**	50,000
	1,024,305	360,000

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

12. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	'000	*'000*	***RMB'000***	*RMB'000*
Authorised:				
3 billion ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**301,410**	301,410
Issued and fully paid:				
At beginning and end of period/year	**1,662,445**	1,662,445	**163,218**	163,218

As at 30 June 2023, included the issued and fully paid ordinary shares, 2,139,665 treasury shares are held under share-award scheme (31 December 2022: 2,139,665 shares).

MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") are pleased to present the unaudited interim results of the Group for the six months ended 30 June 2023.

For the six months ended 30 June 2023, the Group recorded revenue of RMB5,418.1 million, representing a year-on-year decrease of 2.2% (first half of 2022: RMB5,539.6 million). Gross profit dropped by 11.4% year-on-year to RMB1,027.3 million (first half of 2022: RMB1,159.8 million) and gross profit margin narrowed by 1.9 percentage points against the same period last year to 19.0% (first half of 2022: 20.9%). Profit attributable to owners of the Company increased by 16.5% year-on-year to RMB192.0 million (first half of 2022: RMB164.8 million). Basic earnings per share were RMB11.57 cents (first half of 2022: RMB9.93 cents). The Board did not recommend payment of interim dividend for the six months ended 30 June 2023.

As the impact of COVID was reduced, the Chinese economic activities were gradually back to normal in the first half of the year. In the first half of 2023, the country's GDP grew 5.5% year-on-year. The disturbed freight logistics issue has been initially relieved due to the efforts of the Central Government and various departments and regions. Highway traffic overall has steadily increased across the country and that of trucks in particular has risen markedly.

In such a positively improving environment, China's radial tire cord industry continued to accelerate its development in the first half of 2023, in line with the "Guiding Outline for the 14th Five-Year Development Plan for the Rubber Industry" issued by the China Rubber Industry Association. With a target that the Guiding Outline set to increase the conversion rate to 96% in China by 2025, the radial tire cord market has been expanding. Last December, the State Council issued the "Notice on the '14th Five-Year' Plan for Modern Logistics Development" to drive the development of modern logistics, which has stimulated overall production of and demand for automobiles and tires, and in turn production and domestic sales of radial tire cords.

According to data of key members of China Rubber Industry Association's tire division, total domestic radial tire cord output was approximately 312 million in the first half of 2023, representing a year-on-year increase of 14.7%, and radialization rate in the period increased to 96.3%. Statistics of the Ministry of Public Security showed, as at June 2023, car parc in China reached 328 million, which is likely to continue to provide support for the radial tire replacement market in the long run.

BUSINESS REVIEW

In the first half of 2023, with the impact of COVID-19 abating while domestic demand rose, the proportion of radial tire cord sales increased. Being to give full play to its advantages as an industry leader, Xingda maintained overall stable business growth. During the review period, the Group recorded total sales volume of 594,300 tonnes, up by 12.7% year-on-year, and that of radial tire cords boosted by 14.2% year-on-year to 471,600 tonnes, accounting for 79.3% of the Group's total sales volume (first half of 2022: 78.3%). Sales volume of bead wires increased by 4.8% to 71,700 tonnes, accounting for 12.1% of the Group's total sales volume (first half of 2022: 13.0%). As for hose wires and other wires, their total sales volume increased by 10.9% to 51,000 tonnes, making up 8.6% of the Group's total sales volume (first half of 2022: 8.7%).

During the review period, sales volume of the Group's radial tire cords for trucks increased 14.1% year-on-year to 275,200 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 review period, the Group's sales volume of radial tire cords for passenger cars saw an increase of 14.3% to 196,400 tonnes. The sales volume of radial tire cords for trucks and passenger cars accounted for 58.4% and 41.6%, respectively, of the total sales volume of radial tire cords during the review period and the first half of 2022.

Sales Volume

	Six months ended 30 June		
	2023	2022	Change
	Tonnes	*Tonnes*	
Radial tire cords	**471,600**	413,000	+14.2%
- For trucks	***275,200***	*241,100*	*+14.1%*
- For passenger cars	***196,400***	*171,900*	*+14.3%*
Bead wires	**71,700**	68,400	+4.8%
Hose wires and other wires	**51,000**	46,000	+10.9%
Total	**594,300**	527,400	+12.7%

In the China market, sales volume of the Group's radial tire cords increased by 20.3% to 337,300 tonnes (first half of 2022: 280,400 tonnes), mainly due to the improved market demand of radial tires as a result of more frequent domestic economic activities and better GDP in the review period. As for overseas market demand, the growth momentum still maintained in this review period. Sales volume of radial tire cords increased by 1.3% to 134,300 tonnes (first half of 2022: 132,600 tonnes), overall the overseas radial tires production and demand continued to be satisfactory. Domestic and overseas markets accounted for 71.5% and 28.5% of the Group's total sales volume, respectively (first half of 2022: 67.9% and 32.1%).

As at 30 June 2023, annual production capacity of radial tire cords increased to 999,000 tonnes, with the annual production capacity of the Jiangsu, Shandong and Thailand factories reaching 754,000 tonnes, 170,000 tonnes and 75,000 tonnes, respectively. The annual production capacity of bead wires dropped to 159,000 tonnes. The annual production capacity of hose wires and other wires increased to 109,000 tonnes. During the review period, the overall utilization rate of the Group's factories increased to 93.3% (first half of 2022: 84.8%) due to the recovery of the domestic radial tires market.

	30 June 2023 Production Capacity (Tonnes)	**Six months ended 30 June 2023 Utilisation Rate**	30 June 2022 Production Capacity (Tonnes)	Six months ended 30 June 2022 Utilisation Rate
Radial tire cords	**999,000**	**94%**	975,000	86%
Bead wires	**159,000**	**90%**	177,000	76%
Hose wires and other wires	**109,000**	**94%**	108,000	85%
Overall	**1,267,000**	**93%**	1,260,000	85%

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
RMB in million	**2023**	**Proportion (%)**	2022	Proportion (%)	Change (%)
Radial tire cords	**4,644.1**	**86**	4,701.0	85	-1.2
- *For trucks*	***2,712.5***	***50***	*2,752.2*	*50*	*-1.4*
- *For passenger cars*	***1,931.6***	***36***	*1,948.8*	*35*	*-0.9*
Bead wires	**409.0**	**7**	468.7	8	-12.7
Hose wires and other wires	**365.0**	**7**	369.9	7	-1.3
Total	**5,418.1**	**100**	5,539.6	100	-2.2

During the review period, the Group's revenue decreased by RMB121.5 million or 2.2% year-on-year to RMB5,418.1 million (first half of 2022: RMB5,539.6 million), mainly due to the drop in the average selling prices of the Group's products. The effect on the decreasing average selling prices of the products was largely offset by an increase in the sales volume of the products under the effort spent by the Group's sales team.

Gross profit and gross profit margin

The Group's gross profit decreased by RMB132.5 million or 11.4% to RMB1,027.3 million (first half of 2022: RMB1,159.8 million), with gross profit margin at 19.0% (first half of 2022: 20.9%), representing a year-on-year decrease of 1.9 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 during the review period.

Other income

Other income decreased by RMB42.0 million or 37.0% to RMB71.6 million (first half of 2022: RMB113.6 million), mainly due to the lack of income from sales of other materials and the decrease in bank interest income from fixed bank deposits and bank balances in this review period.

Other expense

Other expense decreased by RMB19.9 million or 79.9% to RMB5.0 million (first half of 2022: RMB24.9 million), mainly due to the fact that no cost of sales of other materials was recorded during the first half of 2023.

Government grants

During the review period, government grants increased by RMB10.6 million or 235.6% to RMB15.1 million (first half of 2022: RMB4.5 million), mainly due to an increase in government grants released from deferred income.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB165.9 million or 31.1% to RMB367.5 million (first half of 2022: RMB533.4 million), mainly due to lower transportation costs under decreasing shipment fees on a year-on-year basis.

Administrative expenses

Administrative expenses increased by RMB9.5 million or 4.4% to RMB223.8 million (first half of 2022: RMB214.3 million), mainly due to an increase in consultancy and professional fees recorded in the first half 2023.

Other gains and losses, net

Other gains and losses, net increased by RMB21.1 million or 88.7% from net gain of RMB23.8 million in the first half of 2022 to net gain of RMB44.9 million in the first half of 2023. It was mainly due to an increase in net foreign exchange gain recorded in this review period.

Impairment loss (recognised) reversed under expected credit loss model, net

Impairment loss (recognised) reversed under expected credit loss model, net increased by RMB4.4 million or 275.0% to a recongised net impairment loss of RMB2.8 million in the first half of 2023 (first half of 2022: a reversal of net impairment loss of RMB1.6 million). It was mainly attributable to an increase in an accumulated loss recognised on trade receivables under impairment assessment by reference to expected credit loss model in the first half of 2023.

Research and development expenditure

Research and development expenditure decreased by RMB1.2 million or 1.3% to RMB91.2 million (first half of 2022: RMB92.4 million), mainly because the Group contributed less resources to the research and development of new products in the first half of 2023 since certain new products under development were in the closing stage.

Finance costs

If the finance costs including the interests capitalised in the cost of qualifying assets, they would have been increased by RMB7.7 million or 6.6% to RMB124.6 million (first half of 2022: RMB116.9 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 RMB15.5 million or 18.9% to RMB66.7 million (first half of 2022: RMB82.2 million), with an effective tax rate of 18.4% (first half of 2022: 24.1%). During the review period, current tax was increased by RMB1.2 million or 1.7% to RMB73.7 million due to the increase in profit before tax (first half of 2022: RMB72.5 million). By using the current tax on calculating the effective tax rate, it would become 20.3% (first half of 2022: 21.3%).

Net profit

Taking the factors mentioned above into account, the Group's net profit for the six months ended 30 June 2023 increased by RMB37.0 million or 14.3% to RMB295.5 million (first half of 2022: RMB258.5 million).

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the review period, 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 usage of cash were for the acquisition of properties, plant and equipment and payment of income tax.

Bank balances and cash (including bank deposits) of the Group increased by RMB340.3 million or 41.3% from RMB824.9 million as at 31 December 2022 to RMB1,165.2 million as at 30 June 2023. The increase was mainly due to the cash that has been generated from operating activities of RMB1,324.4 million and the increase in cash under the effect of foreign exchange rate changes of RMB19.0 million, exceeding the cash used in investing activities of RMB700.5 million and financing activities of RMB302.6 million respectively.

Borrowings decreased by RMB15.8 million or 0.2% to RMB6,876.0 million as at 30 June 2023 from RMB6,891.8 million as at 31 December 2022. The bank borrowings carry interest at fixed rates from 1.35% to 4.05% (31 December 2022: 1.35% to 4.05%) and variable rates from 3.10% to 6.40% (31 December 2022: 3.40% to 7.22%). Borrowings of RMB6,308.9 million are repayable within one year from 30 June 2023 and the remaining borrowings of RMB567.1 million are repayable after one year from 30 June 2023.

As at 30 June 2023, the Group's current assets increased by RMB864.8 million or 7.4% to RMB12,508.8 million (31 December 2022: RMB11,644.0 million). Current liabilities increased by RMB865.4 million or 7.4% to RMB12,489.6 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 times (31 December 2022: 1.0 times). The gearing ratio (being defined as total debts to total assets) as at 30 June 2023 was 32.2% (31 December 2022: 32.8%).

FOREIGN EXCHANGE RISK

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

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

CAPITAL EXPENDITURE

For the six months ended 30 June 2023, capital expenditure for property, plant and equipment amounted to RMB478.5 million (first half of 2022: RMB847.4 million).

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had made a capital commitment of approximately RMB242.0 million (31 December 2022: RMB272.4 million) for acquisition of property, plant and equipment and freehold land contracted for but not provided in the condensed consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment and freehold land authorised but not contracted as at 30 June 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 30 June 2023 and 31 December 2022 respectively.

PLEDGE OF ASSETS

As at 30 June 2023, bank borrowings were secured by term deposits, leasehold lands and bills receivables of the Group amounting to RMB1,597.0 million, RMB197.8 million and RMB132.3 million, respectively (31 December 2022: secured by term deposits, leasehold lands and bills receivables 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: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK$71.4 million. The shares held by Xingda accounted for 1.9% of the entire issued shares of Prinx Chengshan as at 30 June 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 financial assets at fair value through profit or loss of RMB1.8 million was recorded during the six months ended 30 June 2023 (first half of 2022: gain of RMB3.3 million).

The fair value of the investment in Prinx Chengshan as at 30 June 2023 was RMB66.9 million (31 December 2022: RMB65.1 million). The above mentioned investment accounted for 0.3% of the total assets value of the Group as at 30 June 2023 and 31 December 2022 respectively.

Save as disclosed above, the Group had no other significant investments as at 30 June 2023 and 31 December 2022 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the six months ended 30 June 2023 and 30 June 2022 respectively.

HUMAN RESOURCES

As of 30 June 2023, the Group had approximately 7,900 full time employees (31 December 2022: approximately 7,400). Total staff costs including directors' remuneration for the six months ended 30 June 2023 was RMB463.1 million (first half of 2022: RMB451.1 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, Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and Taizhou Xingda Specialized Wires Co., Ltd. ("Taizhou Xingda") contribute 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2023, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB11.2 million (first half of 2022: RMB8.0 million).

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

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

In 2010, 5,000,000 shares of the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the "Third Batch Shares"). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the "Fourth Batch Shares"). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the "Fifth Batch Shares"). 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 30 June 2023, the balance of the Fifth Batch Shares were 2,139,665 shares.

As at 30 June 2023, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and the Fourth Batch Shares and one-third of the Fifth Batch Shares have been vested with selected employees. The remaining 2,139,665 Fifth Batch Shares are expected to be vested with selected employees in the end of March 2024.

PROSPECTS

At the end of the second quarter of 2023, economic activities started to pick up again in China, and automobile production and sales rebounded alongside and achieved year-on-year growth, as such the demand for radial tire cords is likely to increase. The Ministry of Industry and Information Technology (MIIT) has also stepped up efforts to unleash potential consumer demand, invigorate the consumption market, stabilize major expenses on such as automobiles, continue to keep auto consumption steady and improve the overall competitiveness, quality of development and the eco-system of China's automobile industry. The auxiliary and replacement markets gaining strength is conducive to the further recovery of the industry.

In the short term, the auto market in China is sluggish relative to pre-pandemic level, but new energy vehicles are maintaining rapid growth. At the brace of strong domestic demand and with overseas demand backing export, the radial tire cord market has promising prospect.

Looking ahead, the Group will pay close attention to national policies and global economic development, timely adjust its strategic deployment heeding changes in pandemic situations, and strengthen flexible deployment of its factories in various regions to ensure its steady development and annual output and sales growth. As a leading radial tire cord enterprise in China, Xingda will strive to enhance product quality and develop more diverse high-end products, so as to contribute to the transformation and upgrade, and high-quality development of the rubber industry in the “14th Five-Year Plan” period.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) throughout the six months ended 30 June 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 officer and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining executive Directors, the Executive Committee of the Company which has been established for determining, approving and overseeing the day-to-day control over the allocation of the Group’s resources also segregates the duties of Mr. Liu Jinlan.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 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 price-sensitive information.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee of the Company together with the external auditor and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2023.

By Order of the Board
XINGDA INTERNATIONAL HOLDINGS LIMITED
Liu Jinlan
Chairman

Shanghai, the PRC, 30 August 2023

As at the date of this announcement, the executive directors of the Company are Mr. LIU Jinlan, Mr. LIU Xiang and Mr. ZHANG Yuxiao; the independent non-executive directors of the Company are Mr. KOO Fook Sun, Louis, Mr. LUO Tiejun and Ms. XU Chunhua.