

2022

INTERIM REPORT



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 : 1899)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. LIU Jinlan (*Chairman*)
Mr. LIU Xiang
Mr. TAO Jinxiang
Mr. ZHANG Yuxiao

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis
Mr. William John SHARP (*Vice Chairman*)
Ms. XU Chunhua

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis (*Chairman*)
Mr. William John SHARP
Ms. XU Chunhua

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Mr. William John SHARP (*Chairman*)
Mr. KOO Fook Sun, Louis

NOMINATION COMMITTEE

Mr. LIU Jinlan (*Chairman*)
Mr. KOO Fook Sun, Louis
Ms. XU Chunhua

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR RELATIONS

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

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

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

	Six months ended 30 June		Change
	2022	2021	
	<i>RMB in million</i>	<i>RMB in million</i>	
OPERATING RESULTS			
Revenue	5,539.6	5,275.2	+5.0%
Gross profit	1,159.8	1,071.9	+8.2%
EBITDA ⁽¹⁾	721.1	716.0	+0.7%
Profit for the period	258.5	299.2	-13.6%
Profit attributable to owners of the Company	164.8	214.0	-23.0%
Earnings per share – basic (RMB cents)	9.93	13.37	-25.7%
Earnings per share – diluted (RMB cents)	9.88	13.30	-25.7%

	30.6.2022	31.12.2021	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
FINANCIAL POSITION			
Total assets	21,224.2	19,802.2	+7.2%
Total liabilities	13,634.2	12,191.6	+11.8%
Net assets	7,590.0	7,610.6	-0.3%
Equity attributable to owners of the Company	5,662.7	5,699.9	-0.7%

	Six months ended 30 June	
	2022	2021
KEY RATIOS		
Gross profit margin ⁽²⁾	20.9%	20.3%
EBITDA margin ⁽³⁾	13.0%	13.6%
Return on equity ⁽⁴⁾	2.9%	3.8%
	30.6.2022	31.12.2021
Current ratio ⁽⁵⁾	1.09	1.10
Gearing ratio ⁽⁶⁾	28.5%	28.0%
Net debts to equity ratio ⁽⁷⁾	86.1%	84.9%

Notes:

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



MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” or “Xingda”) are pleased to present the unaudited interim results of the Group for the six months ended 30 June 2022.

For the six months ended 30 June 2022, the Group recorded revenue of RMB5,539.6 million, representing a year-on-year increase of 5.0% (first half of 2021: RMB5,275.2 million). Gross profit rose by 8.2% year-on-year to RMB1,159.8 million (first half of 2021: RMB1,071.9 million) and gross profit margin increased by 0.6 percentage point against the same period last year to 20.9% (first half of 2021: 20.3%). Profit attributable to owners of the Company decreased by 23.0% year-on-year to RMB164.8 million (first half of 2021: RMB214.0 million). Basic earnings per share were RMB9.93 cents (first half of 2021: RMB13.37 cents). The Board did not recommend payment of interim dividend for the six months ended 30 June 2022.

In the first half of 2022, following the “Outline of the 14th Five Year Plan for Rubber Industry” issued by China Rubber Industry Association, China’s radial tire cord industry continued to work towards raising radialisation rate to 96% by 2025. With the Chinese government actively launching policies to prompt domestic consumption, the industry had a steady start. However, affected by the COVID-19 flare-ups in China since March, some regions adopted various control measures which caused an impact on economic activities and disruption to logistics. As a result, the overall production and demand for tires decreased in the first half of the year, which correspondingly led to the decline in production and sales of domestic radial tire cords.

Facing various uncertainties, the Central Government and relevant regional departments effectively coordinated pandemic prevention and control work and socio-economic development, including implementing measures to ensure logistics flow and push up truck traffic on highways across the country. As the pandemic situation started to ease, a series of policies to stabilise the economy were rolled out and proven effective. Since June 2022, the economy has stabilised and been recovering. In the first half of 2022, the country’s GDP grew 2.5% year-on-year, with real GDP growth reaching 4.8% and 0.4% in the first and second quarters, respectively. Tire production also rebounded in June 2022 and returned to positive growth against the last corresponding period, benefitting also auxiliary markets.

According to data of key members of China Rubber Industry Association’s tire division, total domestic radial tire cord output was approximately 223 million in the first half of 2022, representing a year-on-year decrease of 8.6%, and radialisation rate in the period increased to 94.9%. Statistics of the Ministry of Public Security showed, as at June 2022, car parc in China reached 310 million, which is likely to continue provide support for the radial tire replacement market in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, despite facing pressures from impacts of the pandemic, relatively high costs and weakening demand, Xingda was able to give full play to its advantages as an industry leader and maintained overall stable business development. During the Period, the Group recorded total sales volume of 527,400 tonnes, a 4.8% decrease year-on-year. Sales volume of radial tire cords decreased by 6.0% year-on-year to 413,000 tonnes, accounting for 78.3% of the Group's total sales volume (first half of 2021: 79.2%). Sales volume of bead wires decreased by 2.0% to 68,400 tonnes, accounting for 13.0% of the Group's total sales volume (first half of 2021: 12.6%). As for hose wires and other wires, sales volume increased by 1.8% to 46,000 tonnes, accounting for 8.7% of the Group's total sales volume (first half of 2021: 8.2%).

For the Period, sales volume of the Group's radial tire cords for trucks declined by 9.6% to 241,100 tonnes, mainly due to the Chinese economic and logistic activities being affected by the pandemic, causing both the production and demand of domestic tires to decrease year-on-year. As the decrease in production and demand of radial tire cords for domestic passenger cars was largely offset by the increase in exported sales of radial tire cords for passenger cars during the Period, the Group's sales volume of radial tire cords for passenger cars only saw a slight decrease of 0.3% to 171,900 tonnes. The sales volume of radial tire cords for trucks and passenger cars accounted for 58.4% and 41.6%, respectively, of all radial tire cords sold by the Group during the Period (first half of 2021: 60.7% and 39.3%).

Sales Volume

	Six months ended 30 June		Change
	2022	2021	
	Tonnes	Tonnes	
Radial tire cords	413,000	439,200	-6.0%
– For trucks	241,100	266,800	-9.6%
– For passenger cars	171,900	172,400	-0.3%
Bead wires	68,400	69,800	-2.0%
Hose wires and other wires	46,000	45,200	+1.8%
Total	527,400	554,200	-4.8%

In the China market, sales volume of the Group's radial tire cords decreased by 12.1% to 280,400 tonnes (first half of 2021: 319,100 tonnes), mainly due to the decrease in production and demand of tires as a result of domestic economic activities being affected by pandemic prevention and control measures. As for overseas market demand, the growth momentum, which started building up from the year of 2021, continued. Sales volume of radial tire cords climbed 10.4% to 132,600 tonnes (first half of 2021: 120,100 tonnes), mainly because overseas tire production and demand continued to be satisfactory. Domestic and overseas markets accounted for 67.9% and 32.1% of the Group's total sales volume of radial tire cords, respectively (first half of 2021: 72.7% and 27.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – CONTINUED

Sales Volume – Continued

As at 30 June 2022, annual production capacity of radial tire cords increased to 975,000 tonnes, with the annual production capacity of the Jiangsu, Shandong and Thailand factories reaching 741,000 tonnes, 162,000 tonnes and 72,000 tonnes, respectively. The annual production capacity of bead wires, hose wires and other wires increased to 177,000 tonnes and 108,000 tonnes, respectively. During the Period, affected by the decrease in domestic tire production, overall utilisation rate of the Group's factories declined to 84.8% (first half of 2021: 96.3%).

	30 June 2022	Six months ended	30 June 2021	Six months ended
	Production	30 June 2022	Production	30 June 2021
	Capacity	Utilisation Rate	Capacity	Utilisation Rate
	(Tonnes)		(Tonnes)	
Radial tire cords	975,000	86%	930,200	97%
Bead wires	177,000	76%	154,600	92%
Hose wires and other wires	108,000	85%	98,200	95%
	<hr/>	<hr/>	<hr/>	<hr/>
Overall	1,260,000	85%	1,183,000	96%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Apart from focusing on expanding production capacity and business footprint, the Group also strived to innovate product technologies and provide customers with tailor-made radial tire cords, in its bid to stand out in the tough industry environment and meet the needs of different strata customers. During the Period, to provide customers with more diverse product selections, Xingda developed 8 new radial tire cords and 18 new hose wires and other wires.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

<i>RMB in million</i>	Six months ended 30 June				
	2022	Proportion (%)	2021	Proportion (%)	Change (%)
Radial tire cords	4,701.0	85	4,473.5	85	+5.1
– For trucks	2,752.2	50	2,817.5	54	-2.3
– For passenger cars	1,948.8	35	1,656.0	31	+17.7
Bead wires	468.7	8	448.3	8	+4.6
Hose wires and other wires	369.9	7	353.4	7	+4.7
Total	5,539.6	100	5,275.2	100	+5.0

During the Period, the Group's revenue increased by RMB264.4 million or 5.0% year-on-year to RMB5,539.6 million (first half of 2021: RMB5,275.2 million), mainly due to the increase in average selling prices of the Group's products together with the boost of sales volumes of overseas market outweighed the effect from decline in domestic market demand and sales volumes.

Gross profit and gross profit margin

The Group's gross profit increased by RMB87.9 million or 8.2% to RMB1,159.8 million (first half of 2021: RMB1,071.9 million), with gross profit margin at 20.9% (first half of 2021: 20.3%), representing a year-on-year increase of 0.6 percentage point, mainly due to the increase in average selling price which covered and exceeded the increase in the cost of sales per tonne.

Other income

Other income increased by RMB18.7 million or 19.7% to RMB113.6 million (first half of 2021: RMB94.9 million), mainly due to the sales of other materials of RMB27.7 million (first half of 2021: nil) recorded in this Period.

Other expense

Other expense of RMB24.9 million (first half of 2021: nil) represents the cost of other materials sold during the Period.

Government grants

During the review period, government grants decreased by RMB1.4 million or 23.7% to RMB4.5 million (first half of 2021: RMB5.9 million), due to a decrease in subsidies from the local government in China.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Distribution and selling expenses

Distribution and selling expenses increased by RMB132.3 million or 33.0% to RMB533.4 million (first half of 2021: RMB401.1 million), mainly due to higher transportation costs under higher export sales volume and inflated shipment fees on a year-on-year basis.

Administrative expenses

Administrative expenses increased by RMB9.8 million or 4.8% to RMB214.3 million (first half of 2021: RMB204.5 million), mainly due to increase in social security provision and consultancy fee.

Other gains and losses, net

Other gains and losses, net increased by RMB84.7 million or 139.1% from net loss of RMB60.9 million in the first half of 2021 to net gain of RMB23.8 million in the first half of 2022. It was mainly due to the net foreign exchange gain of RMB29.2 million recorded in the first half of 2022 (first half of 2021: net foreign exchange loss of RMB48.3 million) and reduced loss on written off and disposal of property, plant and equipment.

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

Impairment loss reversed (recognised) under expected credit loss model, net decreased by RMB7.8 million or 125.8% to a reversal of impairment loss of RMB1.6 million in the first half of 2022 (first half of 2021: impairment loss of RMB6.2 million). It was mainly attributable to decrease of impairment loss recognised on trade receivables under expected credit loss model as at 30 June 2022.

Research and development expenses

Research and development expenses increased by RMB35.9 million or 63.5% to RMB92.4 million (first half of 2021: RMB56.5 million), mainly because the Group had more new products research and development projects and continued to invest more resources to optimise the production process during the Period.

Finance costs

Finance costs increased by RMB22.5 million or 30.0% to RMB97.5 million (first half of 2021: RMB75.0 million), mainly due to the rise of average balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB12.8 million or 18.4% to RMB82.2 million (first half of 2021: RMB69.4 million), with an effective tax rate of 24.1% (first half of 2021: 18.8%). During the Period, current tax was reduced by RMB35.6 million or 32.9% to RMB72.5 million (first half of 2021: RMB108.1 million) due to the decrease in assessable profits for the Period. If the withholding tax was excluded, the effective tax rate would become 17.4% (first half of 2021: 14.0%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – CONTINUED

Net profit

Taking the factors mentioned above into account, the Group's net profit for the six months ended 30 June 2022 decreased by RMB40.7 million or 13.6% to RMB258.5 million (first half of 2021: RMB299.2 million).

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the 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 and financing activities, whereas the principal usage of cash was for acquisition of properties, plants and equipment and payment of income tax.

Bank balances and cash of the Group increased by RMB465.9 million or 65.4% from RMB712.4 million as at 31 December 2021 to RMB1,178.3 million as at 30 June 2022. The increase was mainly due to the cash that has been generated from operating activities of RMB599.6 million, financing activities of RMB459.4 million and the increase in cash under the effect of foreign exchange rate changes of RMB8.5 million, exceeding the cash used in investing activities of RMB601.6 million.

Borrowings increased by RMB506.2 million or 9.1% to RMB6,055.7 million as at 30 June 2022 from RMB5,549.5 million as at 31 December 2021. The bank borrowings carry interest at fixed rates from 2.64% to 4.85% (31 December 2021: 0.60% to 4.85%) and variable rate at HIBOR+2.2% (31 December 2021: HIBOR+2.2%). Borrowings of RMB4,370.7 million are repayable within one year from 30 June 2022 (31 December 2021: RMB4,789.5 million) and the remaining borrowings of RMB1,685.0 million (31 December 2021: RMB760.0 million) are repayable after one year from 30 June 2022.

As at 30 June 2022, the Group's current assets increased by RMB327.3 million or 2.7% to RMB12,648.8 million (31 December 2021: RMB12,321.5 million). Current liabilities increased by RMB482.3 million or 4.3% to RMB11,637.0 million (31 December 2021: RMB11,154.7 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.09 times (31 December 2021: 1.10 times). The decrease was mainly caused by the increase in trade, bills and other payables and dividend payable. The gearing ratio (being defined as total debts to total assets) as at 30 June 2022 was 28.5% (31 December 2021: 28.0%).

FOREIGN EXCHANGE RISK

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

For the six months ended 30 June 2022, capital expenditure for property, plant and equipment amounted to RMB847.4 million (first half of 2021: RMB592.0 million).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had made a capital commitment of approximately RMB333.0 million (31 December 2021: RMB360.0 million) for acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted as at 30 June 2022 and 31 December 2021. The capital commitment is expected to be met by the internal resources of the Group and borrowings.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2022 and 31 December 2021 respectively.

PLEDGE OF ASSETS

As at 30 June 2022, bank borrowings were secured by term deposits and leasehold lands of the Group amounting to RMB1,368.1 million and RMB202.0 million, respectively (31 December 2021: secured by term deposits, leasehold lands and bills receivables amounting to RMB2,101.6 million, RMB204.0 million and RMB91.6 million, respectively).

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan Holdings Limited (formerly known as Prinx Chengshan (Cayman) Holding Limited) (“Prinx Chengshan”, stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK\$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK\$71.4 million. The shares held by Xingda accounted for 1.9% and 1.9% of the entire issued shares of Prinx Chengshan as at 30 June 2022 and 31 December 2021 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 RMB3.3 million was recorded during the six months ended 30 June 2022 (first half of 2021: gain of RMB2.4 million).

The fair value of the investment in Prinx Chengshan as at 30 June 2022 was RMB74.6 million (31 December 2021: RMB71.3 million). The above mentioned investment accounted for 0.4% and 0.4% of the total assets value of the Group as at 30 June 2022 and 31 December 2021 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS – CONTINUED

On 4 March 2021, an agreement was reached between Jiangsu Xingda, an indirect non-wholly owned subsidiary of the Company, and Guizhou Tyre Co., Ltd. (“Guizhou Tyre”) for the subscription by Jiangsu Xingda of 15,873,015 new A shares issued by Guizhou Tyre at RMB6.30 per share in cash under a non-public offer. The subscription monies of approximately RMB100.0 million were satisfied by internal resources of the Group. In December 2021, Jiangsu Xingda sold 3,152,615 shares of Guizhou Tyre. In January 2022, Jiangsu Xingda further sold 1,757,800 shares of Guizhou Tyre. During the first half of 2022, Jiangsu Xingda received 2,192,520 scrip shares from Guizhou Tyre. As at 30 June 2022, the remaining 13,155,120 shares held by Xingda accounted for 1.1% of the entire issued shares of Guizhou Tyre. Guizhou Tyre is a joint stock limited company incorporated in the PRC principally engaged in the design, research and development, manufacture and sale of tires. The shares of Guizhou Tyre are listed on the Shenzhen Stock Exchange (stock code: 000589). The above mentioned investment still exists and a loss on change in fair value of financial assets at fair value through profit or loss of RMB10.0 million was recorded during the six months ended 30 June 2022 (first half of 2021: loss of RMB10.6 million).

The fair value of the investment in Guizhou Tyre as at 30 June 2022 was RMB57.9 million (31 December 2021: RMB78.2 million). The above mentioned investment accounted for 0.3% and 0.4% of the total assets value of the Group as at 30 June 2022 and 31 December 2021 respectively.

Save as disclosed above, the Group had no other significant investments as at 30 June 2022 and 31 December 2021 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the six months ended 30 June 2022 and 30 June 2021 respectively.

HUMAN RESOURCES

As of 30 June 2022, the Group had approximately 8,000 full time employees (31 December 2021: approximately 7,800). Total staff costs including directors’ remuneration for the six months ended 30 June 2022 was RMB451.1 million (first half of 2021: RMB423.9 million). Salaries are generally reviewed with reference to employees’ merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as awareness of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda (“Xingda Labor Union”). Each year, Jiangsu Xingda, Shandong Xingda Steel Tyre Cord Co., Ltd. (“Shandong Xingda”) and Taizhou Xingda Specialised 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 2022, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB8.0 million (first half of 2021: RMB7.3 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 30 June 2022, the balance of the Fifth Batch Shares were 2,139,665 shares.

As at 30 June 2022, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares, the Fourth Batch Shares and one-third of the Fifth Batch Shares have been vested with selected employees. The remaining 2,139,665 Fifth Batch Shares are expected to be vested with selected employees in a two-year period from 2023 to 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

At the end of the second quarter of 2022, economic activities in China were again revived, along with automobile production and sales rebounding and achieving year-on-year growth, all likely to boost demand for radial tire cords. In June, the State Council launched a series of policies to promote automobile consumption, automobile and related consumption for the year is expected to increase by approximately RMB200 billion. Ecology of the automobile industry will continue to improve, and the auxiliary and replacement markets looking up are all conducive to the industry recovering further.

In the short term, as domestic tire production improved since June this year and robust overseas demand bracing export, the prospect of the radial tire cord market is worth looking forward to.

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 steady development of the Group and annual production output and sales growth. As a leading radial tire cord enterprise in China, Xingda will strive to improve product quality and develop more diverse high-end products, so as to help the rubber industry transform and upgrade, and achieve high-quality development in the “14th Five-Year Plan” period.



OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2022.

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code"), were as follows:

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 30 June 2022 (note 5)
Liu Jinlan	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 1)	758,132,457	45.603%
Liu Xiang	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 2)	758,132,457	45.603%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 3)	758,132,457	45.603%
Zhang Yuxiao	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 4)	758,132,457	45.603%
Koo Fook Sun, Louis	Beneficial owner	510,824	0.031%
William John Sharp	Beneficial owner	384,000	0.023%
Xu Chunhua	Beneficial owner	50,000	0.003%

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

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

Notes:

1. Mr. Liu Jinlan held 49,039,275 shares in his own name as at 30 June 2022. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the prospectus of the Company dated 8 December 2006 (the "Prospectus")) (including himself) and Mr. Wu Xinghua according to and subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2022, Great Trade Limited held 274,104,883 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
2. Mr. Liu Xiang held 18,932,299 shares in his own name as at 30 June 2022. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua according to and subject to the terms of the Five Parties' Agreement. As at 30 June 2022, In-Plus Limited held 151,114,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
3. Mr. Tao Jinxiang held 10,264,000 shares in his own name as at 30 June 2022. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua according to and subject to the terms of the Five Parties' Agreement. As at 30 June 2022, Perfect Sino Limited held 116,259,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
4. Mr. Zhang Yuxiao held 3,458,000 shares in his own name as at 30 June 2022. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua according to and subject to the terms of the Five Parties' Agreement. As at 30 June 2022, Power Aim Limited held 42,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2022, i.e. 1,662,445,199 shares.

OTHER INFORMATION

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

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

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 30 June 2022
Liu Jinlan	Interest of controlled corporation (note 1)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	99,000,000	3.46%
Liu Xiang	Interest of controlled corporation (note 2)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	72,000,000	2.52%
Tao Jinxiang	Interest of controlled corporation (note 3)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	54,000,000	1.89%
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,669	0.000058%

Notes:

1. Liu Jinlan is the general partner of 泰州金澤企業管理合夥企業(有限合夥)(Taizhou Jinze Corporate Management Partnership Corporation (Limited Partnership)*) which held 99,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 30 June 2022.
2. Liu Xiang is the general partner of 泰州業祥企業管理合夥企業(有限合夥)(Taizhou Yexiang Corporate Management Partnership Corporation (Limited Partnership)*) which held 72,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 30 June 2022.
3. Tao Jinxiang is the general partner of 泰州永業企業管理合夥企業(有限合夥)(Taizhou Yongye Corporate Management Partnership Corporation (Limited Partnership)*) which held 54,000,000 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share award scheme for the six months ended 30 June 2022 are set out in note 22 to the condensed consolidated financial statements.

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

As at 30 June 2022, the interests and short positions of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions and short positions in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of Ordinary shares	Long Position/ Short Position	Approximate percentage of issue share capital of the Company as at 30 June 2022 (note 3)
Great Trade Limited	Beneficial owner	274,104,883	Long position	16.49%
In-Plus Limited	Beneficial owner	151,114,000	Long position	9.09%
Perfect Sino Limited	Beneficial owner	116,259,000	Long position	6.99%
Hang Youming	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (note 1)	758,132,457	Long position	45.60%
Brown Brothers Harriman & Co.	Approved lending agent	81,823,907	Lending pool	4.92%
		81,823,907	Long position	4.92%
FIL Limited	Interest of controlled corporation (note 2)	166,244,328	Long position	10.00%
Pandanus Associates Inc.	Interest of controlled corporation (note 2)	166,244,328	Long position	10.00%
Pandanus Partners L.P.	Interest of controlled corporation (note 2)	166,244,328	Long position	10.00%



OTHER INFORMATION

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

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

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 43,671,000 shares in his own name as at 30 June 2022. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua according to and subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2022, Wise Creative Limited held 48,565,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.
2. Pandanus Associates Inc. held 100.00% of Pandanus Partners L.P., which in turn owned 37.01% of the issued share capital of FIL Limited. FIL Limited owned 100% of the issued share capital of FIL Asia Holdings Pte Limited, which in turn owned (i) 100% of the issued share capital of FIL Investment Management (Singapore) Limited; and (ii) 100% of the issued share capital of FIL Investment Management (Hong Kong) Limited. As at 30 June 2022, FIL Investment Management (Singapore) Limited and FIL Investment Management (Hong Kong) Limited held 105,835,395 and 180,005 shares in the Company respectively. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited are deemed to be interested in the shares in the Company held by (i) FIL Investment Management (Singapore) Limited; and (ii) FIL Investment Management (Hong Kong) Limited. FIL Limited also owned 100% of the issued share capital of FIL Holdings (UK) Limited, which owned 100% of the issued share capital of FIL Investment Services (UK) Limited. As at 30 June 2022, FIL Investment Services (UK) Limited held 60,177,923 shares in the Company. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Holdings (UK) Limited are deemed to be interested in the shares of the Company held by FIL Investment Services (UK) Limited. FIL Limited held 51,005 shares in the Company. For the purpose of Part XV of the SFO, Pandanus Associates Inc. and Pandanus Partners L.P. are deemed to be interested in the shares of the Company held by FIL Limited.
3. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2022, i.e. 1,662,445,199 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 30 June 2022 which are required to be recorded in the register maintained under section 336 of the SFO.

DEED OF NON-COMPETITION

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

The Company has received the declaration for the six months ended 30 June 2022 from Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder) in respect of their respective compliance with the terms of the Non-competition Deed.

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022, except for the following:–

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



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES – CONTINUED

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2022.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished 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 2022.

USE OF PROCEEDS

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

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

OTHER INFORMATION

USE OF PROCEEDS – CONTINUED

Up to 30 June 2022, the Group has utilised approximately HKD704 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006 <i>HKD'000</i>	Actual utilized funds as at 30 June 2022 <i>HKD'000</i>	Balance of net proceeds as at 30 June 2022 <i>HKD'000</i>	Expected timeline for utilising the unutilised net proceeds
Expansion of the production capacity of the production facilities	550,000	550,000	–	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	23,835	46,165	On or before 31 December 2023
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000	On or before 31 December 2023
Set-up of international development departments	180,000	93,051	86,949	On or before 31 December 2023
Working capital	37,000	37,000	–	
Total	<u>1,087,000</u>	<u>703,886</u>	<u>383,114</u>	

The remaining amount of approximately HKD383 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus.

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010. As at 30 June 2022, all the net proceeds were utilised for enhancing the production facilities of an indirectly wholly owned subsidiary of the Company and financing the working capital.



OTHER INFORMATION

AUDIT COMMITTEE

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

The Audit Committee of the Company together with the external auditor and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2022.

By Order of the Board

XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan

Chairman

Shanghai, the PRC, 31 August 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF XINGDA INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 24 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Revenue	4	5,539,638	5,275,190
Cost of sales		(4,379,813)	(4,203,262)
Gross profit		1,159,825	1,071,928
Other income	5	113,590	94,894
Other expense	5	(24,885)	–
Government grants	6	4,528	5,927
Distribution and selling expenses		(533,447)	(401,073)
Administrative expenses		(214,320)	(204,508)
Other gains and losses, net	7	23,796	(60,948)
Impairment loss reversed (recognised) under expected credit loss model, net		1,594	(6,180)
Research and development expenditure		(92,407)	(56,466)
Finance costs	8	(97,541)	(74,994)
Profit before tax		340,733	368,580
Income tax expense	9	(82,228)	(69,375)
Profit for the period	10	258,505	299,205
<i>Other comprehensive expense item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(2,081)	(62,353)
Total comprehensive income for the period		256,424	236,852
Profit for the period attributable to:			
Owners of the Company		164,775	214,048
Non-controlling interests		93,730	85,157
		258,505	299,205
Total comprehensive income for the period attributable to:			
Owners of the Company		163,247	170,056
Non-controlling interests		93,177	66,796
		256,424	236,852
Earnings per share			
– Basic (RMB cents)	12	9.93	13.37
– Diluted (RMB cents)		9.88	13.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	6,293,646	5,729,026
Right-of-use assets	13	642,844	627,204
Freehold land		63,914	64,105
Investment properties	13	121,740	121,740
Term deposits		1,311,052	803,228
Deferred tax assets	14	122,719	114,480
Prepayments	15	19,463	20,963
		<u>8,575,378</u>	<u>7,480,746</u>
CURRENT ASSETS			
Inventories		1,706,938	1,355,395
Financial assets at fair value through profit or loss ("FVTPL")	25	132,490	149,516
Trade, bills and other receivables	16	8,336,296	8,173,246
Term deposits		1,294,763	1,930,941
Bank balances and cash		1,178,296	712,365
		<u>12,648,783</u>	<u>12,321,463</u>
CURRENT LIABILITIES			
Trade, bills and other payables	17	6,385,998	5,777,411
Contract liabilities		57,334	44,847
Amount due to a related company	24	4,627	–
Tax liabilities		36,115	30,015
Dividend payable		532,208	263,377
Borrowings – due within one year	18	4,370,705	4,789,478
Lease liabilities		200	595
Obligations arising from repurchase of shares	20	249,857	248,962
		<u>11,637,044</u>	<u>11,154,685</u>
NET CURRENT ASSETS		<u>1,011,739</u>	<u>1,166,778</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,587,117</u>	<u>8,647,524</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	52,640	49,274
Borrowings – due after one year	18	1,685,000	760,000
Deferred income	19	258,693	226,713
Lease liabilities		810	899
		<u>1,997,143</u>	<u>1,036,886</u>
NET ASSETS		<u>7,589,974</u>	<u>7,610,638</u>
CAPITAL AND RESERVES			
Share capital	21	163,218	163,218
Share premium and other reserves		5,499,434	5,536,632
Equity attributable to owners of the company		5,662,652	5,699,850
Non-controlling interests		1,927,322	1,910,788
TOTAL EQUITY		<u>7,589,974</u>	<u>7,610,638</u>

The condensed consolidated financial statements on pages 24 to 50 were approved and authorised for issue by the Board of Directors on 31 August 2022 and are signed on its behalf by:

LIU JINLAN
 DIRECTOR

ZHANG YUXIAO
 DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Attributable to owners of the Company

	Attributable to owners of the Company											
	Share capital	Special reserve	Capital contribution reserve	Statutory common reserve	Capital redemption reserve	Translation reserve	Retained profits	Shares held under share-award scheme	Share-based payment reserve	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)	(Note b)	(Note c)								
At 1 January 2021 (audited)	158,603	429,281	(130,150)	840,004	9,700	(6,355)	4,356,104	(3,540)	3,964	5,657,611	1,921,431	7,579,042
Profit for the period	-	-	-	-	-	-	214,048	-	-	214,048	85,157	299,205
Other comprehensive expense for the period	-	-	-	-	-	(43,992)	-	-	-	(43,992)	(18,361)	(62,353)
Total comprehensive (expense) income for the period	-	-	-	-	-	(43,992)	214,048	-	-	170,056	66,796	236,852
Dividend recognised as distribution (note 11)	-	-	-	-	-	-	(202,861)	-	-	(202,861)	-	(202,861)
Dividend to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(73,625)	(73,625)
Shares vested under the share-award scheme	-	-	-	-	-	-	5,976	-	(5,976)	-	-	-
Recognition of equity-settled share-based payments (note 22)	-	-	-	-	-	-	-	-	2,441	2,441	-	2,441
At 30 June 2021 (unaudited)	158,603	429,281	(130,150)	840,004	9,700	(50,347)	4,373,267	(3,540)	429	5,627,247	1,914,602	7,541,849
At 1 January 2022 (audited)	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 period	-	-	-	-	-	-	164,775	-	-	164,775	93,730	258,505
Other comprehensive expense for the period	-	-	-	-	-	(1,528)	-	-	-	(1,528)	(553)	(2,081)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,528)	164,775	-	-	163,247	93,177	256,424
Dividend recognised as distribution (note 11)	-	-	-	-	-	-	(203,882)	-	-	(203,882)	-	(203,882)
Dividend to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(84,949)	(84,949)
Shares vested under the share-award scheme	-	-	-	-	-	-	5,443	-	(5,443)	-	-	-
Effect of put option of shares of a subsidiary granted to non-controlling interest (note 20)	-	-	-	-	-	-	-	-	-	-	8,306	8,306
Recognition of equity-settled share-based payments (note 22)	-	-	-	-	-	-	-	-	3,437	3,437	-	3,437
At 30 June 2022 (unaudited)	163,218	429,281	(130,150)	886,212	9,700	(67,487)	4,374,804	(3,540)	614	5,662,652	1,927,322	7,589,974



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

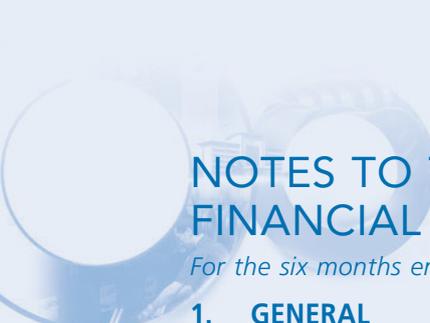
Notes:

- (a) Special reserve of RMB429,281,000 represents (i) the difference between the paid-in capital of Faith Maple International Ltd. (“Faith Maple”) acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares in prior years; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. (“Jiangsu Xingda”), a subsidiary of the Company, at date of acquisition in prior years; (iii) the difference between the net carrying amount of additional 24.5% equity interest (“equity interest”) in Shandong Xingda Steel Tyre Cord Co., Ltd. (“Shandong Xingda”), a subsidiary of the Company, and the fair value of consideration paid in relation to the acquisition of the equity interest in 2016; (iv) the difference between the consideration paid by Jiangsu Xingda and the net carrying amount of 90% equity interest in Jiangsu Xingda Special Cord Co., Ltd. (“Xingda Special Cord”), a subsidiary of the Company, in 2019; (v) the difference between the net carrying amount of additional 3.77% equity interest in Jiangsu Xingda acquired by Faith Maple through the subscription of 212,229,323 new shares issued by Jiangsu Xingda with an amount of RMB689,745,000 in 2019; (vi) the difference between the consideration paid by 5 strategic investors for 3.35% equity interest in Jiangsu Xingda and respective carrying amount of 3.35% of net assets of Jiangsu Xingda subgroup with an amount of RMB12,833,000 in 2020; (vii) the difference between the aggregate amount of net assets related to 42.38% and 24.50% equity interest in Shandong Xingda transferred from Faith Maple and a non-controlling interests to Jiangsu Xingda and 2.47% of net assets of Jiangsu Xingda subgroup with an amount of RMB64,004,000 in 2020; and (viii) the difference between the total share-based payment expenses recognised for the 101,840,880 shares of Jiangsu Xingda, transferred from a non-controlling shareholder, granted to eligible directors, employees and a supplier rendering services to the Group and the change in share of net assets of Jiangsu Xingda by non-controlling shareholders with an amount of RMB198,071,000 in 2020.
- (b) Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders in previous years.
- (c) According to the Articles of Association of the subsidiaries in the 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	340,733	368,580
Interest income	(53,197)	(52,839)
Depreciation of property, plant and equipment	275,214	265,375
Depreciation of right-of-use assets	7,603	7,095
Dividend income from financial assets at FVTPL	(3,160)	(1,958)
Finance costs	97,541	74,989
Recognition of equity-settled share-based payments	3,437	2,441
Increase in inventories	(351,543)	(376,928)
Increase in trade, bills and other receivables	(221,427)	(1,276,617)
Loss on change in fair value of financial assets at FVTPL	6,670	8,201
Increase in trade, bills and other payables	590,602	835,826
Increase in contract liabilities	12,487	19,935
Income taxes paid	(81,001)	(132,832)
Other operating cash flows	(24,340)	28,580
NET CASH FROM (USED IN) OPERATING ACTIVITIES	599,619	(230,152)
INVESTING ACTIVITIES		
Placement of term deposits	(1,173,025)	(1,356,131)
Purchases of property, plant and equipment	(807,914)	(394,701)
Payments for right-of-use assets	(23,567)	(207,661)
Purchase of financial assets at FVTPL	–	(100,001)
Withdrawal of term deposits	1,330,576	1,255,011
Receipts of assets-related government grants	34,991	165,038
Proceeds on disposal of property, plant and equipment	2,769	5,006
Interest received	23,994	2,145
Proceeds on disposal of FVTPL	10,356	–
Dividend received from financial assets at FVTPL	199	1,958
NET CASH USED IN INVESTING ACTIVITIES	(601,621)	(629,336)
FINANCING ACTIVITIES		
New borrowings raised	4,263,922	2,813,892
Repayments of borrowings	(3,674,468)	(1,866,552)
Dividend paid	(20,000)	(88,264)
Interest paid	(109,874)	(61,514)
Repayments of lease liabilities	(118)	(282)
NET CASH FROM FINANCING ACTIVITIES	459,462	797,280
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	457,460	(62,208)
CASH AND CASH EQUIVALENTS AT 1 JANUARY,	712,365	890,965
Effect of foreign exchange rate changes	8,471	(8,008)
CASH AND CASH EQUIVALENTS AT 30 JUNE,	1,178,296	820,749
represented by		
Bank balances and cash	1,178,296	841,749
Bank overdrafts	–	(21,000)
	1,178,296	820,749



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of amendments to IFRSs

In the current interim period, the Group has applied the following 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 2022 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the amendments to IFRSs in the current 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.

4. 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 2022 (unaudited) RMB'000	30 June 2021 (unaudited) RMB'000
Sales of products		
Radial Tire Cords		
– For trucks	2,752,236	2,817,554
– For passenger cars	1,948,748	1,655,959
Bead wires	468,750	448,251
Hose wires and other wires	369,904	353,426
	<u>5,539,638</u>	<u>5,275,190</u>
Timing of revenue recognition		
A point in time	<u>5,539,638</u>	<u>5,275,190</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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information

The directors of the Company, being the chief operating decision maker of the Group, regularly review revenue analysis by types of products which are basically radial tire cords, bead wires and other wires, for the purposes of resource allocation and assessment of performance. However, other than revenue analysis, no operating results 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 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
The PRC	6,068,459	5,511,157
Thailand	1,073,148	1,051,881
	<u>7,141,607</u>	<u>6,563,038</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. 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.

	Six months ended 30 June	
	2022	2021
	(unaudited) RMB'000	(unaudited) RMB'000
The PRC (country of domicile)	3,578,773	3,927,601
Thailand	273,411	255,430
India	235,294	234,812
United States of America	193,664	129,086
Brazil	146,641	78,183
Slovenska	129,707	82,811
Korea	112,538	84,349
Germany	84,477	73,209
Others	785,133	409,709
	5,539,638	5,275,190

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

Geographical information – Continued

“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 six months ended 30 June 2022 and 2021.

5. OTHER INCOME AND OTHER EXPENSE

Other income

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Sales of other materials	27,702	–
Sales of scrap materials	27,612	31,292
Bank interest income	53,197	52,839
Rental income from investment properties	1,630	2,614
Sundry income	3,449	8,149
	<u>113,590</u>	<u>94,894</u>

Other expense

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Cost of sales of other materials	<u>24,885</u>	<u>–</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. GOVERNMENT GRANTS

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Unconditional government grants (Note)	1,517	2,347
Released from deferred income (note 19)	3,011	3,580
	4,528	5,927

Note: The amount mainly represents government grants received from The People's Government of Xinghua Municipality (興化市人民政府), as subsidy for the Group's technology improvement on production skills and research on new products. The government grant was not asset related and was unconditional at the date when the amount was received by the Group. Accordingly, the amount was recognised as income during the six months ended 30 June 2022.

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net foreign exchange gain (loss)	29,184	(48,276)
Dividend income from financial assets at FVTPL	3,160	1,958
Loss on change in fair value of financial assets at FVTPL	(6,670)	(8,201)
Loss on written off and disposal of property, plant and equipment	(1,878)	(6,429)
	23,796	(60,948)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. FINANCE COSTS

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Interests on:		
Bank loans	106,672	66,120
Bills receivables discounted	1,008	275
Lease liabilities	23	42
Imputed interest on obligations arising from repurchase of shares (note 20)	9,201	8,557
	<u>116,904</u>	<u>74,994</u>
Less: amounts capitalised in the cost of qualifying assets	<u>(19,363)</u>	<u>–</u>
	<u><u>97,541</u></u>	<u><u>74,994</u></u>

Borrowing costs capitalised during the six months ended 30 June 2022 arose on the specific borrowings with interest rates at the range of 4.70% to 4.85% per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Current tax	72,479	108,110
Overprovision in prior years	(8,296)	–
Withholding tax	22,918	17,640
Deferred tax	(4,873)	(56,375)
	<u>82,228</u>	<u>69,375</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

9. INCOME TAX EXPENSE – CONTINUED

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.

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	415,861	398,009
Retirement benefits scheme contributions	31,777	23,496
Share-based payments	3,437	2,441
	<hr/>	<hr/>
Total staff costs	451,075	423,946
Less: capitalised in inventories	(297,227)	(285,755)
Less: included in research and development expenditure	(25,536)	(17,574)
	<hr/>	<hr/>
	128,312	120,617
	<hr/>	<hr/>
Depreciation and amortisation		
– Property, plant and equipment	275,214	265,375
– Right-of-use assets	7,603	7,095
	<hr/>	<hr/>
Total depreciation and amortisation	282,817	272,470
Less: capitalised in inventories	(214,295)	(200,049)
Less: included in research and development expenditure	(3,867)	(2,616)
	<hr/>	<hr/>
	64,655	69,805
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. DIVIDENDS

Six months ended 30 June

2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
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Dividend for ordinary shareholders of the Company recognised as distribution during the period:

Final dividend in respect of the year ended 31 December 2021

– 15.0 HK cents per share (2021: final dividend in respect of the year ended 31 December 2020 – 15.0 HK cents per share)

<u>203,882</u>	<u>202,861</u>
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During the current interim period, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB203,882,000 for the year ended 31 December 2021 was approved at the annual general meeting of the Company held on 9 June 2022.

The management has determined that no dividend will be paid for both interim periods.

12. EARNINGS PER SHARE

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

Six months ended 30 June

2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
--------------------------------	--------------------------------

Earnings

Earnings for the period attributable to owners of the Company

<u>164,775</u>	<u>214,048</u>
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'000

'000

Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share

1,658,740	1,600,407
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Effect of dilutive potential ordinary shares in respect of outstanding share awards

<u>9,566</u>	<u>8,838</u>
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Weighted average number of ordinary shares for the purpose of dilutive earnings per share

<u>1,668,306</u>	<u>1,609,245</u>
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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 22.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

Property, plant and equipment

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately RMB4,647,000 (for the six months ended 30 June 2021: RMB11,662,000) for cash proceeds of approximately RMB2,769,000 (for the six months ended 30 June 2021: RMB5,006,000), resulting in a loss on written off and disposal of RMB1,878,000 (for the six months ended 30 June 2021: RMB6,429,000).

In addition, during the current interim period, the Group spent approximately RMB847,432,000 (for the six months ended 30 June 2021: RMB591,950,000) on the construction of its manufacturing plant in Thailand and the PRC and the acquisition of other plant, machinery and equipment in order to upgrade its manufacturing capabilities in the PRC.

Right-of-use assets

During the current interim period, the Group has acquired leasehold lands located in the PRC amounting to RMB23,567,000 (for the six months ended 30 June 2021: RMB207,661,000).

Investment properties

The fair value of investment properties at 30 June 2022 were assessed by the management by reference to the valuation model formulated by the external independent qualified valuer engaged by the Group in preparing the Group's consolidated financial statements for the year ended 31 December 2021, revisited and determined the appropriate assumptions and inputs for valuing the investment properties under the investment approach. In the opinion of the management, the aggregate carrying amounts of the Group's investment properties in Shanghai, the PRC, as at the end of the current interim period does not differ significantly from their estimated fair value. Consequently, no gain or loss on fair value changes has been recognised in the current interim period.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2022 are as follows:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. DEFERRED TAXATION

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

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Deferred tax assets	122,719	114,480
Deferred tax liabilities	(52,640)	(49,274)
	<u>70,079</u>	<u>65,206</u>

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

	Unrealised gain from property, plant and equipment transferred between group entities RMB'000 (Note)	Deferred income RMB'000	Differences between accounting depreciation and tax depreciation RMB'000	Allowance for credit losses RMB'000	Fair value change on investment properties RMB'000	Fair value adjustment arising from acquisition of subsidiary RMB'000	Undistributed profits of a subsidiary RMB'000	Total RMB'000
At 1 January 2022	53,280	49,877	(7,912)	11,323	(20,690)	(3,461)	(17,211)	65,206
Charge (credit) to profit or loss	120	8,329	(267)	(210)	(489)	74	(2,684)	4,873
At 30 June 2022	<u>53,400</u>	<u>58,206</u>	<u>(8,179)</u>	<u>11,113</u>	<u>(21,179)</u>	<u>(3,387)</u>	<u>(19,895)</u>	<u>70,079</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.

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

At the end of the reporting period, the Group has unused tax losses of approximately RMB210,927,000 (31 December 2021: RMB181,165,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. PREPAYMENTS

The amount of RMB22,463,000 (31 December 2021: RMB23,963,000) represents the prepayment of road maintenance and management fee to a government authority with remaining period of approximately 7 years (31 December 2021: 8 years). As at 30 June 2022, an amount of RMB3,000,000 (31 December 2021: RMB3,000,000) is included in other receivables as current assets, as that portion will be recognised as an expense within twelve months while the remaining RMB19,463,000 (31 December 2021: RMB20,963,000) is classified as non-current assets which will be recognised as expenses after twelve months from the reporting date.

16. TRADE, BILLS AND OTHER RECEIVABLES

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

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Trade receivables – goods	3,759,712	3,099,584
Less: Allowance for credit losses	<u>(51,605)</u>	<u>(53,113)</u>
	3,708,107	3,046,471
Bills receivables	4,093,119	4,581,209
Less: Allowance for credit losses	<u>(1,950)</u>	<u>(1,950)</u>
	4,091,169	4,579,259
	7,799,276	7,625,730
Advances to suppliers of raw materials	437,495	258,801
Prepayments for spools	36,015	50,342
Value-add tax receivable	24,148	188,644
Other receivables	24,646	30,763
Other prepayments	19,978	24,228
Less: Allowance for credit losses on other receivables	<u>(5,262)</u>	<u>(5,262)</u>
	537,020	547,516
	8,336,296	8,173,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. 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:

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Trade receivables		
0 – 90 days	2,743,233	2,418,187
91 – 120 days	417,080	257,567
121 – 180 days	284,520	176,649
181 – 360 days	252,112	176,893
Over 360 days	11,162	17,175
	<u>3,708,107</u>	<u>3,046,471</u>
	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Bills receivables		
0 – 90 days	352,664	493,510
91 – 180 days	1,166,620	1,527,692
181 – 360 days	2,184,317	2,234,464
Over 360 days	387,568	323,593
	<u>4,091,169</u>	<u>4,579,259</u>

The basis of determining the inputs and assumptions and the estimation techniques for impairment assessment under expected credit loss model used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During the current interim period, the Group has reversed impairment loss under expected credit loss model of RMB1,508,000 (for the six months ended 30 June 2021: recognised impairment loss under expected credit loss model of RMB6,180,000) for trade receivables. And during the current interim period, RMB86,000 is received for trade receivables which was written-off in prior years (for the six months ended 30 June 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. TRADE, BILLS AND OTHER PAYABLES

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Trade payables	4,069,475	3,745,286
Bills payables	850,000	510,000
	<u>4,919,475</u>	<u>4,255,286</u>
Value-added tax payables and other tax payables	5,561	2,049
Accrued staff costs and pension	226,886	294,858
Payables for purchase of property, plant and equipment	1,159,709	1,139,554
Accrued interest expense	4,829	7,000
Accrued expenses	40,295	48,778
Others	29,243	29,886
	<u>1,466,523</u>	<u>1,522,125</u>
	<u>6,385,998</u>	<u>5,777,411</u>

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 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Trade payables		
0 – 90 days	1,561,024	1,868,108
91 – 180 days	1,025,410	1,104,223
181 – 360 days	1,332,225	690,845
Over 360 days	150,816	82,110
	<u>4,069,475</u>	<u>3,745,286</u>
Bills payables		
0 – 90 days	650,000	100,000
91 – 180 days	–	270,047
181 – 360 days	200,000	139,953
	<u>850,000</u>	<u>510,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. TRADE, BILLS AND OTHER PAYABLES – CONTINUED

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.

18. BORROWINGS

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Bank borrowings	<u>6,055,705</u>	<u>5,549,478</u>
Secured	<u>2,340,230</u>	1,750,613
Unsecured	<u>3,715,475</u>	<u>3,798,865</u>
	<u>6,055,705</u>	<u>5,549,478</u>
Analysed for reporting purposes as:		
Current	<u>4,370,705</u>	4,789,478
Non-current	<u>1,685,000</u>	<u>760,000</u>
	<u>6,055,705</u>	<u>5,549,478</u>

During the current interim period, the Group obtained new bank borrowings amounting to RMB4,263,922,000 (for the six months ended 30 June 2021: RMB2,804,892,000), proceeds of which were used as working capital and for specified construction project (for the six months ended 30 June 2021: as working capital). The Group also settled bank borrowings amounting to RMB3,766,059,000 (for the six months ended 30 June 2021: RMB1,840,852,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. BORROWINGS – CONTINUED

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

	As at 30 June 2022	As at 31 December 2021
Effective interest rates:		
Fixed-rate borrowings	2.64% – 4.85%	0.60% – 4.85%
Variable-rate borrowings	3.07%	2.30%

As at 30 June 2022, bank borrowings were secured by term deposits and leasehold lands of the Group amounting to RMB1,368,123,000 and RMB201,971,000, respectively (31 December 2021: secured by term deposits, leasehold lands and bills receivables amounting to RMB2,101,566,000, RMB204,046,000 and RMB91,591,000, respectively).

19. DEFERRED INCOME

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Analysed for reporting purposes as:		
Non-current liability	<u>258,693</u>	<u>226,713</u>

During the current interim period, the Group received government grant of RMB34,991,000 (for the six months ended 30 June 2021: RMB165,038,000) 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 30 June 2022, balance of deferred income of RMB258,693,000 (31 December 2021: RMB226,713,000) remained to be amortised and for the six months ended 30 June 2022, deferred income released to profit or loss amounted to RMB3,011,000 (for the six months ended 30 June 2021: RMB3,580,000) as set out in note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

20. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Analysed for reporting purposes as:		
Current liability	<u>249,857</u>	<u>248,962</u>

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

The Capital Increase Agreements each contains a share repurchase arrangement, pursuant to which Jiangsu Xingda granted put option to the Investors 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) declared and received from Jiangsu Xingda starting from the date of payment of share subscription, if Jiangsu Xingda does not complete the A share initial public offering and become listed on either the Shanghai Stock Exchange or Shenzhen Stock Exchange by 31 December 2022.

The obligation of Faith Maple arising from repurchase of shares was regarded as a financial liability with present value of RMB249,857,000 at 30 June 2022 (31 December 2021: RMB248,962,000). The imputed interest of 8% per annum charged to profit or loss under finance costs during the current interim period amounted to RMB9,201,000 (for the six months ended 30 June 2021: RMB8,557,000) and dividends received from Jiangsu Xingda amounted to RMB8,306,000 (for the six months ended 30 June 2021: Nil), which was deducted from the obligations arising from repurchase of shares.

* For identification only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

21. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2022 '000	31 December 2021 '000	30 June 2022 RMB'000	31 December 2021 RMB'000
Authorised:				
3 billion ordinary shares of HK\$0.1 each	<u>3,000,000</u>	<u>3,000,000</u>	<u>301,410</u>	<u>301,410</u>
Issued and fully paid:				
At beginning of period/year	1,662,445	1,606,928	163,218	158,603
Issue of scrip shares	<u>–</u>	<u>55,517</u>	<u>–</u>	<u>4,615</u>
At end of period/year	<u>1,662,445</u>	<u>1,662,445</u>	<u>163,218</u>	<u>163,218</u>

As at 30 June 2022, included the issued and fully paid ordinary shares, 2,139,665 treasury shares are held under share-award scheme (31 December 2021: 5,323,665 shares).

22. SHARE-BASED PAYMENT

The Company's share-award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 4 September 2009 for the primary purpose of providing incentives to the participants of the Scheme (the "Participants") including the directors and certain employees of the Group, to achieve performance goals which in turn achieve the objectives of increasing the value of the Group and align the interests of the directors and eligible employees directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the Participants in accordance to the rules of the Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

22. SHARE-BASED PAYMENT – CONTINUED

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

	Number of awarded shares		
	Awarded shares granted in 2019 (Note a)	Awarded shares granted in 2021 (Note b)	Total
Outstanding as at 1 January 2022	10,000,000	15,000,000	25,000,000
Vested during the period	<u>(3,333,333)</u>	<u>–</u>	<u>(3,333,333)</u>
Outstanding as at 30 June 2022	<u>6,666,667</u>	<u>15,000,000</u>	<u>21,666,667</u>

Notes:

- (a) The awarded shares granted in 2019 would be vested in tranches annually over a period of three years from 2022 to 2024. The first tranche of which had been vested during the six months ended 30 June 2022.
- (b) The awarded shares granted in 2021 would be vested in tranches annually over a period of three years from 2025 to 2027.

The Group recognised the total expenses of approximately RMB3,437,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB2,441,000) in relation to shares granted under the Scheme by the Company.

23. CAPITAL COMMITMENTS

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>333,039</u>	<u>360,009</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

24. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	Six months ended 30 June	
		2022	2021
		(unaudited) RMB'000	(unaudited) RMB'000
Xingda Xiu Yuan (Note a)	Services fee for hotel and catering services	7,099	6,192
	Provision of utilities	194	253
Xinghua Xingda Rural Small Loan Co., Ltd. (Note b)	Interest expenses for borrowings	–	26
		21,313	22,713

Notes:

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

As at 30 June 2022, amount due to a related company represents amount due to Xingda Xiu Yuan, for the provision of accommodation and catering services to the Group. The amount is unsecured, non-interest bearing and repayable on demand.

Compensation of key management personnel

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

	Six months ended 30 June	
	2022	2021
	(unaudited) RMB'000	(unaudited) RMB'000
Short-term benefits	18,438	20,536
Post-employment benefits	42	80
Share-based payments	2,833	2,097
	21,313	22,713

The remuneration of directors and key management is determined by the Remuneration and Management Development Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)			
Financial assets at FVTPL	132,490	149,516	Level 1	Quoted price in active market	N/A

Note: There were no transfers between level 1 to level 2 during the six months ended 30 June 2022 and 2021.