



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

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

2023 INTERIM REPORT



# CONTENTS

	Page(s)
Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	14
Report on Review of Condensed Consolidated Financial Statements	31
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Condensed Consolidated Statement of Financial Position	33
Condensed Consolidated Statement of Changes in Equity	35
Condensed Consolidated Statement of Cash Flows	37
Notes to the Condensed Consolidated Financial Statements	38

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Executive Directors

Mr. LIU Jinlan (*Chairman*)

Mr. LIU Xiang

Mr. ZHANG Yuxiao

Mr. TAO Jinxiang (retired on 8 June 2023)

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. LUO Tiejun (appointed on 8 June 2023)

Ms. XU Chunhua

Mr. William John SHARP (retired on 8 June 2023)

## AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis (*Chairman*)

Mr. LUO Tiejun (appointed on 8 June 2023)

Ms. XU Chunhua

Mr. William John SHARP (ceased to be a member on 8 June 2023)

## REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Mr. KOO Fook Sun, Louis (*Chairman*)

(appointed as the chairman on 8 June 2023)

Mr. LUO Tiejun (appointed on 8 June 2023)

Mr. William John SHARP

(ceased to be a chairman and member on 8 June 2023)

## NOMINATION COMMITTEE

Mr. LIU Jinlan (*Chairman*)

Mr. KOO Fook Sun, Louis

Ms. XU Chunhua

## COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

## AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao

Mr. CHENG Kam Ho

## LEGAL ADVISORS

*As to Hong Kong Law:*

Deacons

## AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

## INVESTOR RELATIONS

Strategic Financial Relations (China) Limited

Unit 02, 24th Floor, Admiralty Centre I

18 Harcourt Road

Hong Kong

## REGISTERED OFFICE

Cricket Square

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](http://www.irasia.com/listco/hk/xingda/index.htm)

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2023	2022	
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>OPERATING RESULTS</b>			
Revenue	<b>5,418.1</b>	5,539.6	-2.2%
Gross profit	<b>1,027.3</b>	1,159.8	-11.4%
EBITDA <sup>(1)</sup>	<b>811.9</b>	721.1	+12.6%
Profit for the period	<b>295.5</b>	258.5	+14.3%
Profit attributable to owners of the Company	<b>192.0</b>	164.8	+16.5%
Earnings per share – basic (RMB cents)	<b>11.57</b>	9.93	+16.5%
Earnings per share – diluted (RMB cents)	<b>11.48</b>	9.88	+16.2%

	30.6.2023		Change
	<i>RMB in million</i>	31.12.2022	
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>FINANCIAL POSITION</b>			
Total assets	<b>21,331.9</b>	21,010.0	+1.5%
Total liabilities	<b>13,381.8</b>	13,086.2	+2.3%
Net assets	<b>7,950.1</b>	7,923.8	+0.3%
Equity attributable to owners of the Company	<b>5,843.1</b>	5,864.5	-0.4%

	Six months ended 30 June	
	2023	2022
<b>KEY RATIOS</b>		
Gross profit margin <sup>(2)</sup>	<b>19.0%</b>	20.9%
EBITDA margin <sup>(3)</sup>	<b>15.0%</b>	13.0%
Return on equity <sup>(4)</sup>	<b>3.3%</b>	2.9%
	<b>30.6.2023</b>	31.12.2022
Current ratio <sup>(5)</sup>	<b>1.0</b>	1.0
Gearing ratio <sup>(6)</sup>	<b>32.2%</b>	32.8%
Net debts to equity ratio <sup>(7)</sup>	<b>97.7%</b>	103.5%

*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 2023.

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

During the review period, sales volume of the Group's radial tire cords for trucks increased 14.1% year-on-year to 275,200 tonnes, mainly due to the economic and logistic activities in China getting back to normal gradually, plus the increase in tire production and demand in the country year-on-year. Moreover, as the rebound of domestic market demand on radial tires for passenger cars boosted the sales volume of the Group's radial tire cords for passenger cars during the review period, the Group's sales volume of radial tire cords for passenger cars saw an increase of 14.3% to 196,400 tonnes. The sales volume of radial tire cords for trucks and passenger cars accounted for 58.4% and 41.6%, respectively, of the total sales volume of radial tire cords during the review period and the first half of 2022.

### Sales Volume

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW – CONTINUED

### Sales Volume – CONTINUED

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

### Gross profit and gross profit margin

The Group's gross profit decreased by RMB132.5 million or 11.4% to RMB1,027.3 million (first half of 2022: RMB1,159.8 million), with gross profit margin at 19.0% (first half of 2022: 20.9%), representing a year-on-year decrease of 1.9 percentage points. Both gross profit and gross profit margin declined mainly due to the impairment loss on property, plant and equipment of RMB91.6 million being included in cost of sales during the review period.

### Other income

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

### Other expense

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

### Government grants

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

### Distribution and selling expenses

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

### Administrative expenses

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

### Other gains and losses, net

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

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

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

### Research and development expenditure

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

### Finance costs

If the finance costs including the interests capitalised in the cost of qualifying assets, they would have been increased by RMB7.7 million or 6.6% to RMB124.6 million (first half of 2022: RMB116.9 million). The increase was mainly due to the rise of average balance of bank borrowings on a year-on-year basis.

### Income tax expense

The Group's income tax expense decreased by RMB15.5 million or 18.9% to RMB66.7 million (first half of 2022: RMB82.2 million), with an effective tax rate of 18.4% (first half of 2022: 24.1%). During the review period, current tax was increased by RMB1.2 million or 1.7% to RMB73.7 million due to the increase in profit before tax (first half of 2022: RMB72.5 million). By using the current tax on calculating the effective tax rate, it would become 20.3% (first half of 2022: 21.3%).

### Net profit

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

As at 30 June 2023, the Group's current assets increased by RMB864.8 million or 7.4% to RMB12,508.8 million (31 December 2022: RMB11,644.0 million). Current liabilities increased by RMB865.4 million or 7.4% to RMB12,489.6 million (31 December 2022: RMB11,624.2 million). The Group's current ratio (being defined as current assets over current liabilities) maintained at 1.0 times (31 December 2022: 1.0 times). The gearing ratio (being defined as total debts to total assets) as at 30 June 2023 was 32.2% (31 December 2022: 32.8%).

## FOREIGN EXCHANGE RISK

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

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

## CAPITAL EXPENDITURE

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL COMMITMENTS

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

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2023 and 31 December 2022 respectively.

## PLEDGE OF ASSETS

As at 30 June 2023, bank borrowings were secured by term deposits, leasehold lands and bills receivables of the Group amounting to RMB1,597.0 million, RMB197.8 million and RMB132.3 million, respectively (31 December 2022: secured by term deposits, leasehold lands and bills receivables amounting to RMB1,978.6 million, RMB199.9 million and RMB163.4 million, respectively).

## SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan Holdings Limited (formerly known as Prinx Chengshan (Cayman) Holding Limited) ("Prinx Chengshan", stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK\$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK\$71.4 million. The shares held by Xingda accounted for 1.9% of the entire issued shares of Prinx Chengshan as at 30 June 2023 and 31 December 2022 respectively. Prinx Chengshan is a modern enterprise focusing on the research and development, manufacturing, sales of tires and the provision of tire full-life-cycle services, and a leading domestic manufacturer in the PRC's commercial all steel radial tire replacement market. The above mentioned investment still exists and a gain on change in fair value of financial assets at fair value through profit or loss of RMB1.8 million was recorded during the six months ended 30 June 2023 (first half of 2022: gain of RMB3.3 million).

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

## HUMAN RESOURCES

As of 30 June 2023, the Group had approximately 7,900 full time employees (31 December 2022: approximately 7,400). Total staff costs including directors' remuneration for the six months ended 30 June 2023 was RMB463.1 million (first half of 2022: RMB451.1 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as awareness of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, major operating subsidiaries including Jiangsu Xingda, Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and Taizhou Xingda Specialized Wires Co., Ltd. ("Taizhou Xingda") contribute 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2023, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB11.2 million (first half of 2022: RMB8.0 million).

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES – CONTINUED

In 2010, 5,000,000 shares of the Company (the “First Batch Shares”) were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the “Second Batch Shares”) were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the “Third Batch Shares”). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the “Fourth Batch Shares”). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the “Fifth Batch Shares”). In 2020, 732,018 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. In 2021, 665,471 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. For the year ended 31 December 2021, 102,000 Fourth Batch Shares were unvested and added to the Fifth Batch Shares. As at 30 June 2023, the balance of the Fifth Batch Shares were 2,139,665 shares.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

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

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

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



## 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 2023.

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

As at 30 June 2023, 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 2023 (Note 5)
Liu Jinlan (Notes 1 & 2)	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	51.22%
Liu Xiang (Notes 1 & 3)	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)	851,582,457	51.22%
Zhang Yuxiao (Notes 1 & 4)	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)	851,582,457	51.22%
Koo Fook Sun, Louis (Note 6)	Beneficial owner	510,824	0.03%
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:*

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

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

- Mr. Liu Jinlan held 49,039,275 shares in his own name as at 30 June 2023. Mr. Liu Jinlan held as to 100% of the issued share capital of Great Trade Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties’ Agreement. As at 30 June 2023, Great Trade Limited held 329,104,883 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 above for details. Further, Mr. Liu Jinlan is a grantee under the share award scheme of the Company adopted on 4 September 2009 (“Share Award Scheme”). Upon fulfilment of the relevant vesting conditions and assuming all shares of the Company (“Shares”) awarded under the Share Award Scheme (“Award Shares”) granted to him are vested in full, Mr. Liu Jinlan will become interested in a further 5,425,000 Shares.



## OTHER INFORMATION

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

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

Notes: – Continued

3. Mr. Liu Xiang held 18,932,299 shares in his own name as at 30 June 2023. Mr. Liu Xiang held as to 100% of the issued share capital of In-Plus Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 30 June 2023, In-Plus Limited held 155,114,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the AIC Agreement, and was deemed to be interested in shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 above for details. Further, Mr. Liu Xiang is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Liu Xiang will become interested in a further 2,675,000 Shares.
4. Mr. Zhang Yuxiao held 3,458,000 shares in his own name as at 30 June 2023. Mr. Zhang Yuxiao held as to 100% of the issued share capital of Power Aim Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties' Agreement. As at 30 June 2023, Power Aim Limited held 52,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 above for details. Further, Mr. Zhang Yuxiao is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Zhang Yuxiao will become interested in a further 2,675,000 Shares.
5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2023, i.e. 1,662,445,199 shares.
6. Mr. Koo Fook Sun, Louis is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Koo Fook Sun, Louis will become interested in a further 217,000 Shares.

## 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 2023
Liu Jinlan	Interest of controlled corporation (Note 1)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	111,499,998	3.90%
Liu Xiang	Interest of controlled corporation (Note 2)	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	72,000,000	2.52%
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,669	0.000058%

Notes:

- 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 2023. Further, Liu Jinlan held 80% of the equity interest in 上海上麒升投資有限公司 (Shanghai Shang Qi Sheng Investment Co., Ltd.) which in turn held 76% of the equity interest in 興化市興達綉園酒店有限公司 (Xinghua Xingda Xiuyuan Hotel Co., Ltd.) which held 12,499,998 shares of Jiangsu Xingda Steel Tyre Cord Co., Ltd. as at 30 June 2023.
- 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 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## 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 2023 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 2023 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 2023, 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		Approximate percentage of issue share capital of the Company as at 30 June 2023 (Note 5)
		Ordinary shares	Long Position/ Short Position	
Great Trade Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
In-Plus Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
Perfect Sino Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
Power Aim Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
Wise Creative Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%

## OTHER INFORMATION

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

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

Name of shareholder	Capacity	Number of Ordinary shares	Long Position/ Short Position	Approximate percentage of issue share capital of the Company as at 30 June 2023
				(Note 5)
Widen Success Holdings Limited	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	851,582,457	Long position	51.22%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (Note 1)	851,582,457	Long position	51.22%
Hang Youming	Beneficial owner, interest of a controlled corporation, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO (Note 2)	851,582,457	Long position	51.22%
Liu Tao	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)	851,582,457	Long position	51.22%
FIL Limited	Interest of controlled corporation (Note 4)	138,982,747	Long position	8.36%
Pandanus Associates Inc.	Interest of controlled corporation (Note 4)	138,982,747	Long position	8.36%
Pandanus Partners L.P.	Interest of controlled corporation (Note 4)	138,982,747	Long position	8.36%
Brown Brothers Harriman & Co.	Approved lending agent	85,816,915	Lending pool	5.16%
		85,816,915	Long position	5.16%

## OTHER INFORMATION

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

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

*Notes:*

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Tao Jinxiang held 10,264,000 shares in his own name as at 30 June 2023. Mr. Tao Jinxiang held as to 100% of the issued share capital of Perfect Sino Limited (“Perfect Sino”) for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties’ Agreement (each as defined in the section headed “Directors’ and Chief Executive’s interests and short positions in Shares, underlying Shares and debentures” above). As at 30 June 2023, Perfect Sino held 116,259,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino. Mr. Tao Jinxiang is a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties’ Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 under the section headed “Directors’ and Chief Executive’s interests and short positions in Shares, underlying Shares and debentures–(1) Long positions in shares, underlying shares and debentures of the Company” above for details.
2. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 43,671,000 shares in his own name as at 30 June 2023. Mr. Hang Youming held as to 100% of the issued share capital of Wise Creative Limited for his own benefit and for the benefit of other ESC Members according to the terms of the Five Parties’ Agreement (each as defined in the section headed “Directors’ and Chief Executive’s interests and short positions in Shares, underlying Shares and debentures” above). As at 30 June 2023, Wise Creative Limited held 54,065,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Liu Tao, Five BVI Companies and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 under the section headed “Directors’ and Chief Executive’s interests and short positions in Shares, underlying Shares and debentures–(1) Long positions in shares, underlying shares and debentures of the Company” above for details. Further, Mr. Hang Youming is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Hang Youming will become interested in a further 2,675,000 Shares.
3. Mr. Liu Tao held as to 100% of the issued share capital of Widen Success Limited. As at 30 June 2023, Widen Success Limited held 5,500,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Tao was deemed to be interested in the shares held by Widen Success Limited. Mr. Liu Tao is a party to the AIC Agreement, and was deemed to be interested in the shares in which the other parties to the AIC Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Five BVI Companies (as defined below) and Widen Success Limited) were interested for the purpose of Part XV of the SFO. Please refer to Note 1 under the section headed “Directors’ and Chief Executive’s interests and short positions in Shares, underlying Shares and debentures–(1) Long positions in shares, underlying shares and debentures of the Company” above for details.

## OTHER INFORMATION

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

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

*Notes: – Continued*

4. Pandanus Associates Inc. held 100.00% of Pandanus Partners L.P., which in turn owned 38.71% of the issued share capital of FIL Limited. FIL Limited owned 100% of the issued share capital of FIL Financial Services Holdings Limited, which in turn owned (i) 100% of the issued share capital of FIL Investment Management (Singapore) Limited; and (ii) 100% of the issued share capital of FIL Holdings (UK) Limited which held 100% of FIL Investment Services (UK) Limited. As at 30 June 2023, FIL Investment Management (Singapore) Limited and FIL Investment Services (UK) Limited held 87,388,657 and 51,594,090 shares in the Company respectively. For the purpose of Part XV of the SFO, (i) Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Financial Services Holdings Limited are deemed to be interested in the shares in the Company held by FIL Investment Management (Singapore) Limited; and (ii) Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited, FIL Financial Services Holdings Limited and FIL Holdings (UK) Limited are deemed to be interested in the shares in the Company held by FIL Investment Services (UK) Limited. For the purpose of Part XV of the SFO, Pandanus Associates Inc. and Pandanus Partners L.P. are deemed to be interested in the shares of the Company held by FIL Limited.
5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2023, 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 2023 which are required to be recorded in the register maintained under section 336 of the SFO.



## OTHER INFORMATION

### DEED OF NON-COMPETITION

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

The Company has received the declaration for the six months ended 30 June 2023 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 2023, except for the following:–

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

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

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

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



## OTHER INFORMATION

### SHARE AWARD SCHEME

On 4 September 2009, the Board resolved to adopt the share award scheme ("Scheme") to encourage and retain employee(s) selected by the Remuneration Committee (as defined below)(after taking into consideration recommendations and suggestions made by the Chairman) and approved by the Board pursuant to the rules relating to the Scheme ("Scheme Rules") and employee(s) selected by the trustee(s) ("Trustee") for the time being of the trust(s) declared in the trust deed ("Trust Deed") after having taken into consideration recommendations made by the Chairman, considered and consented to by the Remuneration Committee and approved by the Board pursuant to the Scheme Rules for participation in the Scheme ("Selected Employees") to work with the Group and to provide incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of the Group and aligning the interests of Selected Employees directly to the shareholders of the Company through ownership of Shares. Pursuant to the Scheme, Shares will be purchased by the Trustee in the market out of cash contributed by the Company and be held in trust for the relevant Selected Employees until such Shares are vested in the relevant Selected Employees in accordance with the provisions of the Scheme. The Scheme does not constitute a share option scheme and no new share of the Company will be granted under the Scheme accordingly.

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

The total number of awarded shares to be vested in all Selected Employees in respect of each financial year shall not exceed 5 million Shares. The number of awarded shares to be granted to the executive Directors, the non-executive Directors and other employees (who are Selected Employees) in respect of each financial year shall be subject to such ratio or in such other manner as determined by the Remuneration Committee and approved by the Board.

The Scheme does not constitute a share option scheme and no new share of the Company will be granted under the Scheme accordingly.

During the six months ended 30 June 2023, no awards were granted and no amount was payable on application or acceptance of award.

As at the date of this report, the vesting period for all granted and unvested awarded shares was from 22 August 2019 to 31 March 2027.

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

## OTHER INFORMATION

### SHARE AWARD SCHEME – CONTINUED

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

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

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

Grantee/Category	Grant date	Vesting period	Unvested	Granted during	Vested during	Lapsed during	Cancelled	Unvested
			awards as at	the six months	the six months	the six months	during the six	awards as at
			1 January 2023	ended	ended	ended	months ended	30 June
				30 June	30 June	30 June	30 June	2023
				2023	2023	2023	2023	2023
Directors								
- Liu Jinlan	22 August 2019 <sup>(1)</sup>	22 August 2019 to 31 March 2024	1,600,000	-	-	-	-	1,600,000
- Liu Jinlan	30 November 2021 <sup>(2)</sup>	30 November 2021 to 31 March 2027	3,825,000	-	-	-	-	3,825,000
- Liu Xiang	22 August 2019 <sup>(1)</sup>	22 August 2019 to 31 March 2024	800,000	-	-	-	-	800,000
- Liu Xiang	30 November 2021 <sup>(2)</sup>	30 November 2021 to 31 March 2027	1,875,000	-	-	-	-	1,875,000
- Tao Jinxiang	22 August 2019 <sup>(1)(5)</sup>	22 August 2019 to 31 March 2024	800,000	-	-	(800,000)	-	-
- Tao Jinxiang	30 November 2021 <sup>(2)(5)</sup>	30 November 2021 to 31 March 2027	1,875,000	-	-	(1,875,000)	-	-
- Zhang Yuxiao	22 August 2019 <sup>(1)</sup>	22 August 2019 to 31 March 2024	800,000	-	-	-	-	800,000
- Zhang Yuxiao	30 November 2021 <sup>(2)</sup>	30 November 2021 to 31 March 2027	1,875,000	-	-	-	-	1,875,000
- Koo Fook Sun, Louis	22 August 2019 <sup>(1)</sup>	22 August 2019 to 31 March 2024	67,000	-	-	-	-	67,000
- Koo Fook Sun, Louis	30 November 2021 <sup>(2)</sup>	30 November 2021 to 31 March 2027	150,000	-	-	-	-	150,000

## OTHER INFORMATION

### SHARE AWARD SCHEME – CONTINUED

Grantee/Category	Grant date	Vesting period	Unvested	Granted during	Vested during	Lapsed during	Cancelled	Unvested
			awards as at	the six months	the six months	the six months	during the six	awards as at
			1 January 2023	ended	ended	ended	months ended	30 June
				30 June	30 June	30 June	30 June	2023
- William John Sharp	22 August 2019 <sup>(1)</sup>	22 August 2019 to 31 March 2024	67,000	-	-	(67,000)	-	-
- William John Sharp	30 November 2021 <sup>(2)</sup>	30 November 2021 to 31 March 2027	150,000	-	-	(150,000)	-	-
The five highest paid individuals during the financial year								
(four out of five include Directors listed above) in aggregate	22 August 2019 <sup>(1)</sup>	22 August 2019 to 31 March 2024	4,800,000	-	-	-	-	4,800,000
(four out of five include Directors listed above) in aggregate	30 November 2021 <sup>(2)</sup>	30 November 2021 to 31 March 2027	11,325,000	-	-	-	-	11,325,000
Other grantees (employees) in aggregate	22 August 2019 <sup>(1)</sup>	22 August 2019 to 31 March 2024	1,882,000	-	-	-	-	1,882,000
	30 November 2021 <sup>(2)</sup>	30 November 2021 to 31 March 2027	3,375,000	-	-	-	-	3,375,000

#### Notes:

- (1) The closing price of Shares immediately before the grant date of 22 August 2019 (i.e. 21 August 2019) was HK\$2.03 per share. The fair value of the awarded shares as at 22 August 2019 was HK\$1.41 per share.
- (2) The closing price of Shares immediately before the grant date of 30 November 2021 (i.e. 29 November 2021) was HK\$1.64 per share. The fair value of the awarded shares as at 30 November 2021 was HK\$1.11 per share.

### SHARE AWARD SCHEME – CONTINUED

Notes: – Continued

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

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

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

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

(5) Mr. Tao Jinxiang ceased to be an executive director of the Company with effect from the conclusion of the annual general meeting of the Company held on 8 June 2023.

(6) Mr. William John Sharp ceased to be an independent non-executive director of the Company with effect from the conclusion of the annual general meeting of the Company held on 8 June 2023.

The accounting standard and policy adopted by the Group on the share-based payments are as follows:

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

## OTHER INFORMATION

### SHARE AWARD SCHEME – CONTINUED

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

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

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

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

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

### 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") amounted to approximately HKD1,087 million (the "IPO Proceeds"). As disclosed in the Company's announcement dated 30 August 2023 (the "Change in Use of Proceeds Announcement"), the Board had resolved to change the allocation of the unutilised IPO Proceeds and the expected timeline of full utilisation by (a) reallocating an aggregate of approximately HK\$365 million which were originally allocated for (i) installation of a manufacturing execution system (MES) and logistics management system, (ii) implementing the overseas expansion strategies through acquisition of suitable business targets and (iii) the set-up of international development departments to (A) technical advancement and expansion of the production capacity of the production facilities and (B) general working capital; and (b) extending the expected timeline of the use of the unutilised IPO Proceeds from 31 December 2023 to 31 December 2025. Please refer to the Change in Use of Proceeds Announcement for details. The following table sets forth the status of the use of net proceeds as at 30 June 2023 and the use of revised allocation of the net proceeds as at the date of the Change in Use of Proceeds Announcement:

## OTHER INFORMATION

### USE OF PROCEEDS – CONTINUED

Proposed uses of fund as stated in the Company's prospectus dated 8 December 2006 and the annual report of the Company for the year ended 31 December 2006	Actual utilized		Actual utilized funds as at the date of the Change in Use of Proceeds Announcement	Reallocation as stated in the Change in Use of Proceeds Announcement	Remaining balance as at the date of the Change in Use of Proceeds Announcement	Expected timeline for utilising the unutilised net proceeds
	amount as at 30 June 2023	Amount unutilised as at 30 June 2023				
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	
Technical advancement and expansion of the production capacity of the production facilities	–	–	–	–	291,939	On or before 31 December 2025
Expansion of the production capacity of the production facilities	550,000	550,000	–	550,000	–	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	42,010	27,990	42,010	–	–
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000	–	–	–
Set-up of international development departments	180,000	93,051	86,949	93,051	–	–
Working capital	37,000	37,000	–	37,000	73,000	On or before 31 December 2025
<b>Total</b>	<b>1,087,000</b>	<b>722,061</b>	<b>364,939</b>	<b>722,061</b>	<b>364,939</b>	

## OTHER INFORMATION

### USE OF PROCEEDS – CONTINUED

The remaining amount of approximately HKD365 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 Change in Use of Proceeds Announcement.

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010. As at 30 June 2023, all the net proceeds were utilised for enhancing the production facilities of a non-wholly owned subsidiary of the Company and financing the working capital.

### AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Luo Tiejun 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 2023.

By Order of the Board

**XINGDA INTERNATIONAL HOLDINGS LIMITED**

**Liu Jinlan**

*Chairman*

Shanghai, the PRC, 30 August 2023

# 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 32 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 August 2023



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June	
		2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
Revenue	4	5,418,080	5,539,638
Cost of sales		<u>(4,390,803)</u>	<u>(4,379,813)</u>
Gross profit		1,027,277	1,159,825
Other income	5	71,581	113,590
Other expense	5	(4,994)	(24,885)
Government grants	6	15,106	4,528
Distribution and selling expenses		(367,540)	(533,447)
Administrative expenses		(223,764)	(214,320)
Other gains and losses, net	7	44,911	23,796
Impairment loss (recognised) reversed under expected credit loss model, net		(2,834)	1,594
Research and development expenditure		(91,194)	(92,407)
Finance costs	8	<u>(106,393)</u>	<u>(97,541)</u>
Profit before tax		362,156	340,733
Income tax expense	9	<u>(66,656)</u>	<u>(82,228)</u>
Profit for the period	10	295,500	258,505
<i>Other comprehensive income (expense) item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>2,478</u>	<u>(2,081)</u>
Total comprehensive income for the period		<u><u>297,978</u></u>	<u><u>256,424</u></u>
Profit for the period attributable to:			
Owners of the Company		192,042	164,775
Non-controlling interests		<u>103,458</u>	<u>93,730</u>
		<u><u>295,500</u></u>	<u><u>258,505</u></u>
Total comprehensive income for the period attributable to:			
Owners of the Company		193,630	163,247
Non-controlling interests		<u>104,348</u>	<u>93,177</u>
		<u><u>297,978</u></u>	<u><u>256,424</u></u>
Earnings per share			
	12		
– Basic (RMB cents)		<u>11.57</u>	<u>9.93</u>
– Diluted (RMB cents)		<u>11.48</u>	<u>9.88</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	6,817,338	6,765,865
Right-of-use assets		627,098	635,001
Freehold land		68,215	67,542
Investment properties	13	121,000	121,000
Term deposits		818,690	1,499,673
Deferred tax assets	14	141,141	123,651
Prepayments for acquisition of property, plant and equipment and freehold land		213,230	135,289
Prepayments	15	16,463	17,963
		<b>8,823,175</b>	<b>9,365,984</b>
<b>CURRENT ASSETS</b>			
Inventories		1,184,971	1,181,169
Financial asset at fair value through profit or loss ("FVTPL")	25	66,897	65,108
Trade, bills and other receivables	16	7,862,617	8,147,717
Tax recoverable		2,046	2,330
Term deposits		2,227,034	1,422,803
Bank balances and cash		1,165,193	824,867
		<b>12,508,758</b>	<b>11,643,994</b>
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	17	5,488,760	5,285,936
Contract liabilities		54,706	57,275
Tax liabilities		84,013	103,748
Dividend payable		337,042	187,950
Borrowings – due within one year	18	6,308,852	5,739,331
Lease liabilities		257	251
Obligations arising from repurchase of shares	20	215,944	249,677
		<b>12,489,574</b>	<b>11,624,168</b>
<b>NET CURRENT ASSETS</b>		<b>19,184</b>	<b>19,826</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,842,359</b>	<b>9,385,810</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	14	56,906	53,046
Borrowings – due after one year	18	567,150	1,152,500
Deferred income	19	267,561	255,702
Lease liabilities		649	779
		<u>892,266</u>	<u>1,462,027</u>
<b>NET ASSETS</b>			
		<u>7,950,093</u>	<u>7,923,783</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	163,218	163,218
Share premium and other reserves		5,679,868	5,701,296
Equity attributable to owners of the Company		5,843,086	5,864,514
Non-controlling interests		2,107,007	2,059,269
<b>TOTAL EQUITY</b>			
		<u>7,950,093</u>	<u>7,923,783</u>

The condensed consolidated financial statements on pages 32 to 60 were approved and authorised for issue by the Board of Directors on 30 August 2023 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 2023

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 a)	(Note b)	(Note c)								
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	-	-	-	-	-	-	-	-	-	-	(76,643)	(76,643)
Shares vested under the share-award scheme	-	-	-	-	-	-	5,443	-	(5,443)	-	-	-
Recognition of equity-settled share-based payment (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
At 1 January 2023 (audited)	163,218	429,281	(130,150)	973,269	9,700	(52,520)	4,471,845	(3,540)	3,411	5,864,514	2,059,269	7,923,783
Profit for the period	-	-	-	-	-	-	192,042	-	-	192,042	103,458	295,500
Other comprehensive income for the period	-	-	-	-	-	1,588	-	-	-	1,588	890	2,478
Total comprehensive income for the period	-	-	-	-	-	1,588	192,042	-	-	193,630	104,348	297,978
Dividend recognised as distribution (note 11)	-	-	-	-	-	-	(222,752)	-	-	(222,752)	-	(222,752)
Dividend to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(84,277)	(84,277)
Exercise of put option of shares of a subsidiary granted to a non-controlling interest (note 20)	-	4,898	-	-	-	-	-	-	-	4,898	27,667	32,565
Recognition of equity-settled share-based payment (note 22)	-	-	-	-	-	-	-	-	2,796	2,796	-	2,796
At 30 June 2023 (unaudited)	163,218	434,179	(130,150)	973,269	9,700	(50,932)	4,441,135	(3,540)	6,207	5,843,086	2,107,007	7,950,093

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Notes:

- (a) Special reserve of RMB434,179,000 represents (i) the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares in prior 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, netting with impact upon 1 strategic investor's exercise of put option with 0.44% equity interest in Jiangsu Xingda in 2023 as stated in note 20 amounting RMB4,898,000; (vii) the difference between the aggregate amount of net assets related to 42.38% and 24.50% equity interest in Shandong Xingda transferred from Faith Maple and a non-controlling interests to Jiangsu Xingda and 2.47% of net assets of Jiangsu Xingda subgroup with an amount of RMB64,004,000 in 2020; and (viii) the difference between the total share-based payment expenses recognised for the 101,840,880 shares of Jiangsu Xingda, transferred from a non-controlling shareholder, granted to eligible directors, employees and a supplier rendering services to the Group and the change in share of net assets of Jiangsu Xingda by non-controlling shareholders with an amount of RMB198,071,000 in 2020.
- (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 2023

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. GENERAL

Xingda International Holdings Limited (the “Company”, and together with its subsidiaries, collectively referred to as the “Group”) is a limited company incorporated in the Cayman Islands 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 new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

### Application of amendments to IFRSs

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

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

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

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

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

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantively enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements for the year ending 31 December 2023.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

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

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

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
<b>Sales of products</b>		
Radial Tire Cords		
– For trucks	2,712,444	2,752,236
– For passenger cars	1,931,631	1,948,748
Bead wires	408,980	468,750
Hose wires and other wires	365,025	369,904
	<u>5,418,080</u>	<u>5,539,638</u>
<b>Timing of revenue recognition</b>		
A point in time	<u>5,418,080</u>	<u>5,539,638</u>

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

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

### Segment information

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 5. OTHER INCOME AND OTHER EXPENSE

### Other income

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
Sales of scrap materials	30,842	27,612
Bank interest income	28,842	53,197
Rental income from investment properties	2,981	1,630
Sundry income	8,916	3,449
Sales of other materials	–	27,702
	<u>71,581</u>	<u>113,590</u>

### Other expense

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
Expenses of sundry income	4,994	–
Cost of sales of other materials	–	24,885
	<u>4,994</u>	<u>24,885</u>

## 6. GOVERNMENT GRANTS

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
Unconditional government grants (Note)	4,048	1,517
Released from deferred income (note 19)	11,058	3,011
	<u>15,106</u>	<u>4,528</u>

Note: The amount mainly represents government grants received from the local governments relevant to the Group's operations and business development. The grant is unconditional at the date the amount was received by the Group and was recognised as income during the six months ended 30 June 2023.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 7. OTHER GAINS AND LOSSES, NET

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

## 8. FINANCE COSTS

	Six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
Interests on:		
Bank loans	114,876	106,672
Bills receivables discounted	1,699	1,008
Lease liabilities	21	23
Imputed interest on obligations arising from repurchase of shares (note 20)	7,999	9,201
	<u>124,595</u>	<u>116,904</u>
Less: amounts capitalised in the cost of qualifying assets	(18,202)	(19,363)
	<u>106,393</u>	<u>97,541</u>

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 9. INCOME TAX EXPENSE

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

Following the renewal of the High-tech Enterprise Certificate issued on 30 November 2021, Jiangsu Xingda is entitled as High-tech Enterprise and accordingly, enjoyed preferential tax rate of 15% till 2023.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both periods.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	<b>424,622</b>	415,861
Retirement benefits scheme contributions	<b>35,664</b>	31,777
Share-based payments	<b>2,796</b>	3,437
	<hr/>	<hr/>
Total staff costs	<b>463,082</b>	451,075
Less: capitalised in inventories	<b>(307,586)</b>	(297,227)
Less: included in research and development expenditure	<b>(22,399)</b>	(25,536)
	<hr/>	<hr/>
	<b>133,097</b>	128,312
	<hr/>	<hr/>
Depreciation and amortisation		
– Property, plant and equipment	<b>335,468</b>	275,214
– Right-of-use assets	<b>7,903</b>	7,603
	<hr/>	<hr/>
Total depreciation and amortisation	<b>343,371</b>	282,817
Less: capitalised in inventories	<b>(287,373)</b>	(248,807)
Less: included in research and development expenditure	<b>(3,680)</b>	(3,867)
	<hr/>	<hr/>
	<b>52,318</b>	30,143
	<hr/>	<hr/>
Impairment loss on property, plant and equipment (included in cost of sales) (note 13)	<b>91,623</b>	–
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 11. DIVIDENDS

### Six months ended 30 June

2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
--------------------------------	--------------------------------

Dividend for ordinary shareholders of the Company recognised as distribution during the period:

Final dividend in respect of the year ended 31 December 2022

– 15.0 HK cents per share (2022: final dividend in respect of the year ended 31 December 2021 – 15.0 HK cents per share)

<u>222,752</u>	<u>203,882</u>
----------------	----------------

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

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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	
	2023	2022
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Earnings</b>		
Earnings for the period attributable to owners of the Company	<u>192,042</u>	<u>164,775</u>

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,660,306</u>	1,658,740
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>13,035</u>	<u>9,566</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,673,341</u>	<u>1,668,306</u>

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 22.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 13. PROPERTY, PLANT AND EQUIPMENT 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 RMB9,875,000 (for the six months ended 30 June 2022: RMB4,647,000) for cash proceeds of approximately RMB714,000 (for the six months ended 30 June 2022: RMB2,769,000), resulting in a loss on written off and disposal of RMB9,161,000 (for the six months ended 30 June 2022: RMB1,878,000).

In addition, during the current interim period, the Group spent approximately RMB478,496,000 (for the six months ended 30 June 2022: RMB847,432,000) on the construction of its manufacturing plants in Thailand and the PRC and the acquisition of other plant, machinery and equipment in order to upgrade its manufacturing capabilities.

### Impairment assessment on property, plant and equipment

As a wholly-owned-subsiary of the Company, incorporated and operated in Thailand, is with operational loss and the ongoing customers-basis transfer plan has not achieved budgeted sales plan for the current interim period. The management of the Group concluded there is such indication and conducted impairment assessment on carrying amounts of this subsidiary, being a separate cash-generating unit. Based on the result of the assessment, the Group recognised impairment loss of RMB91,623,000 related to this subsidiary's property, plant and equipment during the current interim period.

### Investment properties

The fair value of investment properties at 30 June 2023 were assessed by the management by reference to the market situation and 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 2022, 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 2023 are as follows:

	<b>Level 3</b> RMB'000
Office premises located in Shanghai	<u>121,000</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 2023

## 14. DEFERRED TAXATION

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

	<b>As at 30 June 2023 (unaudited) RMB'000</b>	As at 31 December 2022 (audited) RMB'000
Deferred tax assets	<b>141,141</b>	123,651
Deferred tax liabilities	<b>(56,906)</b>	(53,046)
	<b><u>84,235</u></b>	<u>70,605</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	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 2023	54,376	57,912	(8,444)	11,363	(21,394)	(3,314)	(19,894)	70,605
Effect of change in tax rate	6,915	2,413	-	4,047	-	-	-	13,375
(Charge) credit to profit or loss	(3,563)	6,565	(802)	1,113	(978)	73	(2,153)	255
<b>At 30 June 2023</b>	<b><u>57,728</u></b>	<b><u>66,890</u></b>	<b><u>(9,246)</u></b>	<b><u>16,523</u></b>	<b><u>(22,372)</u></b>	<b><u>(3,241)</u></b>	<b><u>(22,047)</u></b>	<b><u>84,235</u></b>

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 has unused tax losses of approximately RMB257,778,000 (31 December 2022: RMB223,319,000) 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 2023

## 15. PREPAYMENTS

The Group's prepayments classified as non-current asset mainly represent prepayment of road maintenance and management fee to a government authority with remaining period of approximately 6.49 years (31 December 2022: 6.99 years). As at 30 June 2023, RMB16,463,000 (31 December 2022: RMB17,963,000) is classified as non-current assets which will be recognised as expenses after twelve months from the reporting date and RMB3,000,000 (31 December 2022: RMB3,000,000) is included in other receivables as current assets, as that portion will be recognised as an expense within twelve months.

## 16. TRADE, BILLS AND OTHER RECEIVABLES

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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:

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

	<b>As at 30 June 2023 (unaudited) RMB'000</b>	As at 31 December 2022 (audited) RMB'000
Bills receivables		
0 – 90 days	<b>372,542</b>	278,447
91 – 180 days	<b>1,270,531</b>	1,313,346
181 – 360 days	<b>2,063,591</b>	2,292,295
Over 360 days	<b>461,648</b>	464,609
	<b><u>4,168,312</u></b>	<u>4,348,697</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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

During the current interim period, the Group has recognised impairment loss under expected credit loss model of RMB3,050,000 (for the six months ended 30 June 2022: reversed impairment loss under expected credit loss model of RMB1,508,000) for trade receivables. And during the current interim period, RMB216,000 is received for trade receivables which was written-off in prior years (for the six months ended 30 June 2022: RMB86,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 17. TRADE, BILLS AND OTHER PAYABLES

	As at 30 June 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Trade payables	3,108,662	3,472,657
Bills payables	1,024,305	360,000
	<u>4,132,967</u>	<u>3,832,657</u>
Value-added tax payables and other tax payables	15,578	7,523
Accrued staff costs and pension	252,703	300,446
Payables for purchase of property, plant and equipment	981,870	1,058,382
Accrued interest expense	4,906	6,184
Accrued expenses	79,233	55,087
Others	21,503	25,657
	<u>1,355,793</u>	<u>1,453,279</u>
	<u><u>5,488,760</u></u>	<u><u>5,285,936</u></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 2023 (unaudited) RMB'000	As at 31 December 2022 (audited) RMB'000
Trade payables		
0 – 90 days	1,075,288	650,047
91 – 180 days	549,308	1,170,817
181 – 360 days	1,362,040	1,544,298
Over 360 days	122,026	107,495
	<u>3,108,662</u>	<u>3,472,657</u>
Bills payables		
0 – 90 days	919,237	310,000
91 – 180 days	30,763	–
181 – 360 days	74,305	50,000
	<u>1,024,305</u>	<u>360,000</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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

	<b>As at 30 June 2023 (unaudited) RMB'000</b>	As at 31 December 2022 (audited) RMB'000
Bank borrowings	<u><b>6,876,002</b></u>	<u>6,891,831</u>
Secured	<b>2,911,629</b>	3,032,618
Unsecured	<u><b>3,964,373</b></u>	<u>3,859,213</u>
	<u><b>6,876,002</b></u>	<u>6,891,831</u>
Analysed for reporting purposes as:		
Current	<b>6,308,852</b>	5,739,331
Non-current	<u><b>567,150</b></u>	<u>1,152,500</u>
	<u><b>6,876,002</b></u>	<u>6,891,831</u>

During the current interim period, the Group obtained new bank borrowings amounting to RMB3,314,417,000 (for the six months ended 30 June 2022: RMB4,263,922,000), proceeds of which were used as working capital (for the six months ended 30 June 2022: as working capital and for specified construction project). The Group also settled bank borrowings amounting to RMB3,331,892,000 (for the six months ended 30 June 2022: RMB3,766,059,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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:

	<b>As at 30 June 2023</b>	As at 31 December 2022
Effective interest rates:		
Fixed-rate borrowings	<b>1.35% – 4.05%</b>	1.35% – 4.05%
Variable-rate borrowings	<b>3.10% – 6.40%</b>	3.40% – 7.22%

As at 30 June 2023, bank borrowings were secured by term deposits, leasehold lands and bills receivables of the Group amounting to RMB1,597.0 million, RMB197.8 million and RMB132.3 million, respectively (31 December 2022: secured by term deposits, leasehold lands and bills receivables amounting to RMB1,978.6 million, RMB199.9 million and RMB163.4 million, respectively).

Since the year ended 31 December 2022, in respect of a Syndicated Borrowing Contract entered into by a non-wholly-owned subsidiary of the Company and five banks (the "Syndicated Borrowing"), the subsidiary of the Company breached certain of the terms of the bank borrowing, which are primarily related to the asset-liquidity ratio of the entity and the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. For those bank lenders has not agreed to waive its right to demand immediate payment as at the end of the reporting period, respective loan balances have been classified as a current liability with a carrying amount of RMB663,000,000 as a 30 June 2023 (31 December 2022: RMB901,500,000). In any event, should the lender call for immediate repayment of the Syndicated Borrowing, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

## 19. DEFERRED INCOME

	<b>As at 30 June 2023 (unaudited) RMB'000</b>	As at 31 December 2022 (audited) RMB'000
Analysed for reporting purposes as:		
Non-current liability	<b><u>267,561</u></b>	<u>255,702</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 19. DEFERRED INCOME – CONTINUED

During the current interim period, the Group received government grant of RMB22,917,000 (for the six months ended 30 June 2022: RMB34,991,000) 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 2023, balance of deferred income of RMB267,561,000 (31 December 2022: RMB255,702,000) remained to be amortised and for the six months ended 30 June 2023, deferred income released to profit or loss amounted to RMB11,058,000 (for the six months ended 30 June 2022: RMB3,011,000) as set out in note 6.

## 20. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES

	<b>As at 30 June 2023 (unaudited) RMB'000</b>	<b>As at 31 December 2022 (audited) RMB'000</b>
Analysed for reporting purposes as:		
Current liability	<b><u>215,944</u></b>	<b><u>249,677</u></b>

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.

In January 2023, Jiaxing Jianxin Chenyue, who held equity interests representing approximately 0.44% of the total issued capital of Jiangsu Xingda, exercised the put option and entered into an equity transfer agreement with Xingda Xiu Yuan and Xingda Xiu Yuan purchased all the aforesaid equity interests in Jiangsu Xingda held by Jiaxing Chenyue (the "Relevant Transfer") at a consideration of RMB32,565,000, representing full consideration of its capital injection plus imputed interest at 8% per annum deducting all dividend (including tax) received from Jiangsu Xingda starting from the date of payment of share subscription. Upon the completion of the Relevant Transfer, obligation arising from repurchases of shares to Jiaxing Jianxin Chenyue amounting to RMB32,565,000 is derecognised and Xingda Xiu Yuan became a non-controlling interests of the Group since then.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 20. OBLIGATIONS ARISING FROM REPURCHASE OF SHARES – CONTINUED

The obligation of Faith Maple arising from repurchase of shares was regarded as a financial liability with present value of RMB215,944,000 as at 30 June 2023 (31 December 2022: RMB249,677,000). The imputed interest of 8% per annum charged to profit or loss under finance costs during the current interim period amounted to RMB7,999,000 (for the six months ended 30 June 2022: RMB9,201,000) and dividends received from Jiangsu Xingda amounted to RMB9,167,000 (for the six months ended 30 June 2022: RMB8,306,000), which was deducted from the obligations arising from repurchase of shares.

## 21. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2023 '000	31 December 2022 '000	30 June 2023 RMB'000	31 December 2022 RMB'000
Authorised:				
3 billion ordinary shares of HK\$0.1 each	<u>3,000,000</u>	<u>3,000,000</u>	<u>301,410</u>	<u>301,410</u>
Issued and fully paid:				
At beginning and 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 2023, included the issued and fully paid ordinary shares, 2,139,665 treasury shares are held under share-award scheme (31 December 2022: 2,139,665 shares).

## 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 2023

## 22. SHARE-BASED PAYMENT – CONTINUED

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

	Number of awarded shares		Total
	Awarded shares granted in 2019 (Note a)	Awarded shares granted in 2021 (Note b)	
Outstanding as at 1 January 2023	6,666,667	15,000,000	21,666,667
Lapsed during the period (Note c)	<u>(867,000)</u>	<u>(2,025,000)</u>	<u>(2,892,000)</u>
Outstanding as at 30 June 2023	<u>5,799,667</u>	<u>12,975,000</u>	<u>18,774,667</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.
- (b) The awarded shares granted in 2021 would be vested in tranches annually over a period of three years from 2025 to 2027.
- (c) The awarded shares lapsed during the period are resulting from the retirement of two directors of the Company.

The Group recognised the total expenses of approximately RMB2,796,000 for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB3,437,000) in relation to shares granted under the Scheme by the Company.

## 23. CAPITAL COMMITMENTS

	<b>As at 30 June 2023 (unaudited) RMB'000</b>	As at 31 December 2022 (audited) RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and freehold land contracted for but not provided in the condensed consolidated financial statements	<u><b>242,032</b></u>	<u>272,430</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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	
		2023	2022
		(unaudited) RMB'000	(unaudited) RMB'000
Xingda Xiu Yuan (Note a)	Services fee for hotel and catering services	8,377	7,099
	Provision of utilities	212	194
	Dividend declared and paid	<u>1,375</u>	<u>–</u>

Note:

- (a) Xingda Xiu Yuan is a limited company controlled by a director of the Company.

### 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	
	2023	2022
	(unaudited) RMB'000	(unaudited) RMB'000
Short-term benefits	15,201	18,438
Post-employment benefits	171	42
Share-based payments	<u>2,080</u>	<u>2,833</u>
	<u>17,452</u>	<u>21,313</u>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 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 2023	31 December 2022			
	RMB'000 (unaudited)	RMB'000 (audited)			
Financial asset at FVTPL	66,897	65,108	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 2023 and 2022.