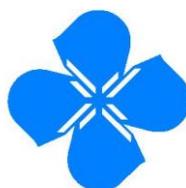


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XINGDA

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XINGDA INTERNATIONAL HOLDINGS LIMITED

興 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01899)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		<u>CHANGE</u>
	2022	2021	
	(unaudited)	(unaudited)	
	<i>RMB in</i>	<i>RMB in</i>	
	<i>Million</i>	<i>Million</i>	
Revenue	5,539.6	5,275.2	+5.0%
Gross profit	1,159.8	1,071.9	+8.2%
Gross profit margin	20.9%	20.3%	+0.6pp
EBITDA <i>(Note)</i>	721.1	716.0	+0.7%
Profit attributable to owners of the Company	164.8	214.0	-23.0%
Earnings per share – basic (RMB cents)	9.93	13.37	-25.7%
Earnings per share – diluted (RMB cents)	9.88	13.30	-25.7%

Note:

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

INTERIM RESULTS

The board of directors (the “Board”) of Xingda International Holdings Limited (the “Company”) is pleased to announce the condensed consolidated financial statements of the Company and its subsidiaries (the “Group” or “Xingda”) for the six months ended 30 June 2022 (the “Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<i>NOTES</i>	Six months ended 30 June	
		2022	2021
		(unaudited)	(unaudited)
		RMB'000	RMB'000
Revenue	3	5,539,638	5,275,190
Cost of sales		(4,379,813)	(4,203,262)
Gross profit		1,159,825	1,071,928
Other income		113,590	94,894
Other expense		(24,885)	—
Government grants		4,528	5,927
Distribution and selling expenses		(533,447)	(401,073)
Administrative expenses		(214,320)	(204,508)
Other gains and losses, net	4	23,796	(60,948)
Impairment loss reversed (recognised) under expected credit loss model, net		1,594	(6,180)
Research and development expenditure		(92,407)	(56,466)
Finance costs	5	(97,541)	(74,994)
Profit before tax		340,733	368,580
Income tax expense	6	(82,228)	(69,375)
Profit for the period	7	258,505	299,205
<i>Other comprehensive expense item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(2,081)	(62,353)
Total comprehensive income for the period		256,424	236,852
Profit for the period attributable to:			
Owners of the Company		164,775	214,048
Non-controlling interests		93,730	85,157
		258,505	299,205

Total comprehensive income for the period
attributable to:

Owners of the Company	163,247	170,056
Non-controlling interests	93,177	66,796
	<u>256,424</u>	<u>236,852</u>

Earnings per share	9		
-Basic (RMB cents)		9.93	13.37
-Diluted (RMB cents)		9.88	13.30

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022**

	<i>NOTES</i>	As at 30 June 2022 (unaudited) <i>RMB'000</i>	As at 31 December 2021 (audited) <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,293,646	5,729,026
Right-of-use assets		642,844	627,204
Freehold land		63,914	64,105
Investment properties		121,740	121,740
Term deposits		1,311,052	803,228
Deferred tax assets		122,719	114,480
Prepayments		19,463	20,963
		<hr/> 8,575,378	<hr/> 7,480,746
CURRENT ASSETS			
Inventories		1,706,938	1,355,395
Financial assets at fair value through profit or loss ("FVTPL")		132,490	149,516
Trade, bills and other receivables	10	8,336,296	8,173,246
Term deposits		1,294,763	1,930,941
Bank balances and cash		1,178,296	712,365
		<hr/> 12,648,783	<hr/> 12,321,463
CURRENT LIABILITIES			
Trade, bills and other payables	11	6,385,998	5,777,411
Contract liabilities		57,334	44,847
Amount due to a related company		4,627	—
Tax liabilities		36,115	30,015
Dividend payable		532,208	263,377
Borrowings - due within one year		4,370,705	4,789,478
Lease liabilities		200	595
Obligations arising from repurchase of shares		249,857	248,962
		<hr/> 11,637,044	<hr/> 11,154,685
NET CURRENT ASSETS		<hr/> 1,011,739	<hr/> 1,166,778
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 9,587,117	<hr/> 8,647,524

	<i>NOTE</i>	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		52,640	49,274
Borrowings - due after one year		1,685,000	760,000
Deferred income		258,693	226,713
Lease liabilities		810	899
		<hr/> 1,997,143	<hr/> 1,036,886
NET ASSETS		<hr/> 7,589,974	<hr/> 7,610,638
CAPITAL AND RESERVES			
Share capital	12	163,218	163,218
Share premium and other reserves		5,499,434	5,536,632
		<hr/> 5,662,652	<hr/> 5,699,850
Equity attributable to owners of the Company		1,927,322	1,910,788
Non-controlling interests		<hr/> 7,589,974	<hr/> 7,610,638
TOTAL EQUITY		<hr/> 7,589,974	<hr/> 7,610,638

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	340,733	368,580
Interest income	(53,197)	(52,839)
Depreciation of property, plant and equipment	275,214	265,375
Depreciation of right-of-use assets	7,603	7,095
Dividend income from financial assets at FVTPL	(3,160)	(1,958)
Finance costs	97,541	74,989
Recognition of equity-settled share-based payments	3,437	2,441
Increase in inventories	(351,543)	(376,928)
Increase in trade, bills and other receivables	(221,427)	(1,276,617)
Loss on change in fair value of financial assets at FVTPL	6,670	8,201
Increase in trade, bills and other payables	590,602	835,826
Increase in contract liabilities	12,487	19,935
Income taxes paid	(81,001)	(132,832)
Other operating cash flows	(24,340)	28,580
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	599,619	(230,152)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Placement of term deposits	(1,173,025)	(1,356,131)
Purchases of property, plant and equipment	(807,914)	(394,701)
Payments for right-of-use assets	(23,567)	(207,661)
Purchase of financial assets at FVTPL	—	(100,001)
Withdrawal of term deposits	1,330,576	1,255,011
Receipts of assets-related government grants	34,991	165,038
Proceeds on disposal of property, plant and equipment	2,769	5,006
Interest received	23,994	2,145
Proceeds on disposal of FVTPL	10,356	—
Dividend received from financial assets at FVTPL	199	1,958
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(601,621)	(629,336)
	<hr/>	<hr/>

FINANCING ACTIVITIES		
New borrowings raised	4,263,922	2,813,892
Repayments of borrowings	(3,674,468)	(1,866,552)
Dividend paid	(20,000)	(88,264)
Interest paid	(109,874)	(61,514)
Repayments of lease liabilities	(118)	(282)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	459,462	797,280
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	457,460	(62,208)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	712,365	890,965
Effect of foreign exchange rate changes	8,471	(8,008)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE,	1,178,296	820,749
	<hr/> <hr/>	<hr/> <hr/>
represented by		
Bank balances and cash	1,178,296	841,749
Bank overdrafts	—	(21,000)
	<hr/>	<hr/>
	1,178,296	820,749
	<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

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

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

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of products		
Radial tire cords		
- For trucks	2,752,236	2,817,554
- For passenger cars	1,948,748	1,655,959
Bead wires	468,750	448,251
Hose wires and other wires	369,904	353,426
	5,539,638	5,275,190
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	5,539,638	5,275,190
	<hr/> <hr/>	<hr/> <hr/>

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 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
The PRC	6,068,459	5,511,157
Thailand	1,073,148	1,051,881
	7,141,607	6,563,038

Geographical information

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

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

“Others” included revenue from various countries which are individually less than 10% of the Group’s total revenue.

No customer contributes over 10% of the total revenue of the Group for the six months ended 30 June 2022 and 2021.

4. OTHER GAINS AND LOSSES, NET

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

5. FINANCE COSTS

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

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

6. INCOME TAX EXPENSE

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

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

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.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

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

8. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Dividend for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend in respect of the year ended 31 December 2021 - 15.0 HK cents per share (2021: final dividend in respect of the year ended 31 December 2020 - 15.0 HK cents per share)	203,882	202,861
	<hr/> <hr/>	<hr/> <hr/>

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

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

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Earnings for the period attributable to owners of the Company	164,775	214,048
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,658,740	1,600,407
Effect of dilutive potential ordinary shares in respect of outstanding share awards	9,566	8,838
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	1,668,306	1,609,245

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

10. TRADE, BILLS AND OTHER RECEIVABLES

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

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

The following is an aged analysis of trade and bills receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period which approximated the revenue recognition date:

	As at 30 June 2022 (unaudited) <i>RMB'000</i>	As at 31 December 2021 (audited) <i>RMB'000</i>
Trade receivables		
0 - 90 days	2,743,233	2,418,187
91 - 120 days	417,080	257,567
121 - 180 days	284,520	176,649
181 - 360 days	252,112	176,893
Over 360 days	11,162	17,175
	3,708,107	3,046,471

Bills receivables		
0 - 90 days	352,664	493,510
91 - 180 days	1,166,620	1,527,692
181 - 360 days	2,184,317	2,234,464
Over 360 days	387,568	323,593
	<u>4,091,169</u>	<u>4,579,259</u>

11. TRADE, BILLS AND OTHER PAYABLES

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

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

	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
Trade payables		
0 - 90 days	1,561,024	1,868,108
91 - 180 days	1,025,410	1,104,223
181 - 360 days	1,332,225	690,845
Over 360 days	150,816	82,110
	<u>4,069,475</u>	<u>3,745,286</u>

Bills payables		
0 - 90 days	650,000	100,000
91 - 180 days	—	270,047
181 - 360 days	200,000	139,953
	850,000	510,000

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

12. SHARE CAPITAL

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

BUSINESS REVIEW

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

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

Sales Volume

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Gross profit and gross profit margin

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

Other income

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

Other expense

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

Government grants

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

Distribution and selling expenses

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

Administrative expenses

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

Other gains and losses, net

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

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

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

Research and development expenses

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

Finance costs

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

Income tax expense

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

Net profit

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

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

FOREIGN EXCHANGE RISK

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

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

CAPITAL EXPENDITURE

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan Holdings Limited (formerly known as Prinx Chengshan (Cayman) Holding Limited) (“Prinx Chengshan”, stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK\$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, amounted to approximately HK\$71.4 million. The shares held by Xingda accounted for 1.9% and 1.9% of the entire issued shares of Prinx Chengshan as at 30 June 2022 and 31 December 2021 respectively. Prinx Chengshan is a modern enterprise focusing on the research and development, manufacturing, sales of tires and the provision of tire full-life-cycle services, and a leading domestic manufacturer in the PRC’s commercial all steel radial tire replacement market. The above mentioned investment still exists and a gain on change in fair value of financial assets at fair value through profit or loss of RMB3.3 million was recorded during the six months ended 30 June 2022 (first half of 2021: gain of RMB2.4 million).

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

HUMAN RESOURCES

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

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda (“Xingda Labor Union”). Each year, Jiangsu Xingda, Shandong Xingda Steel Tyre Cord Co., Ltd. (“Shandong Xingda”) and Taizhou Xingda Specialised Wires Co., Ltd. (“Taizhou Xingda”) contribute 2% of the total salary of staff (“Union Fee”) to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2022, the amount of Union Fees contributed by the Labour Union of Jiangsu Xingda, Shandong Xingda and Taizhou Xingda was RMB8.0 million (first half of 2021: RMB7.3 million).

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

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

In 2010, 5,000,000 shares of the Company (the “First Batch Shares”) were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the “Second Batch Shares”) were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the “Third Batch Shares”). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the “Fourth Batch Shares”). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the “Fifth Batch Shares”). In 2020, 732,018 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. In 2021, 665,471 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fifth Batch Shares. For the year ended 31 December 2021, 102,000 Fourth Batch Shares were unvested and added to the Fifth Batch Shares. As at 30 June 2022, the balance of the Fifth Batch Shares were 2,139,665 shares.

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

PROSPECTS

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

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

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) throughout the six months ended 30 June 2022, except for the following:-

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors’ securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2022.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

Shanghai, the PRC, 31 August 2022

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