

TARGET

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XINGDA INTERNATIONAL HOLDINGS LTD: WILL MANAGEMENT BE ABLE TO STAND THE TESTS OF TIME ?

It is not very often that four, mature and very experienced businessmen, the oldest, being 73 years, the youngest, being 46 years, could agree to work together for a common goal, without any consideration of rivalry amongst the quartet.

This is, exactly, that which appeared to have taken place on or about December 7, 2022, when the four Executive Directors of Xingda International Holdings Ltd (興達國際控股有限公司) (Code: 1899, Main Board, The Stock Exchange of Hongkong Ltd) banded together in order to guarantee that the Company would work in the best interests of all the shareholders of the Company.

The thinking, in the minds of this quartet, must have gone along the lines that that which is good for the quartet, it follows, logically, that that must be in the best interests of all shareholders of Xingda International Holdings Ltd.

Cynics, on learning of the modus operandi of this quartet, would, most likely than not, have uttered: It just sounds to be too good to be true.

THE BUSINESS OF XINGDA INTERNATIONAL HOLDINGS LTD

Xingda International Holdings Ltd is a corporate entity, principally engaged in the manufacture and trading in radial tire cords, bead wires, and other wires, used in passenger motor cars and other larger types of vehicles, being a common sight that one sees on roads and highways of most countries.

On or about April 27, 2023, Xingda International Holdings Ltd published and disseminated its 2022 Annual Report in The Hongkong Special Administrative Region (HKSAR) of The People's Republic of China (PRC).

At Pages Four and Five of this 242-page Report, Mr Liu Jin Lan (劉錦蘭), the Chairman of the Board of Directors of the Company, as well as being an Executive Director, penned eight paragraphs, under the nomenclature of the '*CHAIRMAN'S STATEMENT.*'

The following are, in the opinion of this medium, amongst the most-interesting paragraphs of the Chairman's penmanship:

*'On behalf of the Board of Directors (the "**Board**"), I am pleased to present the audited annual results of Xingda International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**Xingda**") for the year ended 31 December 2022.*

'With the epidemic situation volatile in China, the continuing conflict between Russia and Ukraine, and increasing inflationary pressure weighing on global economic growth, the Group's business still recorded growth in 2022. During the year, the Group's revenue increased by 1.6% year-on-year to RMB10,812 million (2021: RMB10,645 million). Gross profit grew by 10.1% year-on-year to RMB2,274 million (2021: RMB2,065 million) and gross profit margin also increased, by 1.6 percentage points, year-on-year to 21.0% (2021: 19.4%) which was mainly attributable to the greater portion in overseas markets sales with higher gross profit margin and major raw material prices trending down. Profit attributable to owners of the Company rose by 59.2% year-on-year to RMB348 million (2021: RMB219 million). Basic earnings per share were RMB20.99 cents (2021: RMB13.46 cents). The Board of Directors recommended payment of a final dividend of 15.0 HK cents per share for the year ended 31 December 2022 (2021: 15.0 HK cents per share).

'Affected by the COVID-19 flare-ups in China since March 2022, industrial production was affected, economic activities and the logistics industry were hard hit. With supply chains interrupted dampening automobile output, correspondingly production and sale of radial tire cords in China declined. Nevertheless, came middle of the year, when the government implemented a series of anti-epidemic measures and policies to stabilize the economy, industries started to resume production and the automobile consumption market also gradually warmed up. In particular, the average monthly increase in car parc (sic) in the third quarter of 2022 was significantly higher than that in the first half year, reflective of the robust development of the automobile industry and that phenomenon bore well on demand in the auxiliary market. However, in the fourth quarter, automobile production and sale declined slightly both quarter-on-quarter and year-on-year. As in the first half of 2022, domestic tire companies had to temporarily suspended operation and, came the second half of 2022, they faced pressures from shrinking demand and disrupted supply, and that in turn affected sale of radial tire cords to a certain extent.

'As for overseas markets, in the first half of 2022, for the first time more than 50% of the total tire output, a historical high amount, in China were exported, and that pushed up also the export sales of radial tire cords. Starting in the third quarter, overseas demand gradually flattened. As a result, China's annual revenue from export of radial tire cords saw growth in 2022.

‘On 7 December 2022, the Group announced that CLSA Limited (中信里昂證券有限公司), on behalf of the joint offerors, would make a preconditional voluntary cash partial offer to qualifying shareholders to acquire up to 80,000,000 offer shares at the offer price of HK\$1.88 per offer share. After the partial offer is completed, the joint offerors and parties acting in concert with them will collectively own not less than 50.01% of voting rights in the Company, which will allow them to exercise statutory control of the Company. For the Company, it will have greater flexibility in managing its capital structure, and the offer also evidenced the confidence the management has in the Group’s prospects...’.

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