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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018 *RMB in million*	2017 *RMB in million*	**Change**
Revenue	**7,558.4**	6,886.9	**+9.7%**
Gross profit margin	**17.5%**	18.6%	**-1.1pp**
EBITDA (note 1)	**1,057.2**	1,048.8	**+0.8%**
Profit attributable to owners of the Company	**263.7**	287.4	**-8.2%**
Adjusted profit attributable to owners of the Company (note 2)	**277.3**	287.0	**-3.4%**
Earnings per share – basic and diluted (RMB fen)	**17.8**	19.4	**-8.2%**
Gearing ratio	**10.1%**	7.7%	**+2.4pp**
Proposed final dividend/ Final dividend per share (HK cents)	**15.0**	15.0	—
Dividend payout ratio	**72.8%**	62.5%	**+10.3pp**

Note:
1. It is defined as profit before finance costs, income tax expense, depreciation and amortisation
2. It is defined as profit attributable to owners of the Company excluding loss on change in fair value of financial assets through profit and loss, deferred tax charge related to the provision of withholding tax and net exchange loss (gain) arising from non-operating activities. Please refer to "Reconciliation of report profit and underlying profit" under "Financial Review" in "Management Discussion and Analysis" section of this announcement for details.

RESULTS

The board of directors (the "Board") of Xingda International Holdings Limited (the "Company" or "Xingda") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
Revenue	4	**7,558,367**	6,886,914
Cost of sales		**(6,235,889)**	(5,609,213)
Gross profit		**1,322,478**	1,277,701
Other income	5	**136,708**	97,550
Government grants		**13,798**	29,638
Distribution and selling expenses		**(512,584)**	(475,918)
Administrative expenses		**(361,892)**	(319,117)
Other gains and losses, net	6	**19,425**	(17,116)
Impairment loss recognised on trade and other receivables		**(15,112)**	(14,746)
Research and development expenditure		**(75,250)**	(58,425)
Finance costs	7	**(44,974)**	(38,094)
Profit before tax		**482,597**	481,473
Income tax expense	8	**(110,742)**	(103,189)
Profit and total comprehensive income for the year, net of tax	9	**371,855**	378,284
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**263,663**	287,363
Non-controlling interests		**108,192**	90,921
		371,855	378,284
Earnings per share	11		
Basic and diluted (RMB fen)		**17.8**	19.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,843,962**	3,817,310
Prepaid lease payments		**344,708**	342,575
Investment properties		**153,960**	148,540
Fixed bank deposits with more than three months to maturity when placed		**900,000**	1,000,000
Deferred tax assets		**17,321**	15,628
Prepayments		**29,963**	32,963
		5,289,914	5,357,016
CURRENT ASSETS			
Prepaid lease payments		**7,315**	7,130
Inventories		**679,911**	724,558
Financial assets at fair value through profit or loss		**60,249**	—
Fixed bank deposits with more than three months to maturity when placed		**100,000**	—
Trade, bill and other receivables	12	**5,494,726**	5,448,113
Pledged bank deposits		**52,000**	68,000
Bank balances and cash		**1,104,447**	756,985
		7,498,648	7,004,786
CURRENT LIABILITIES			
Trade, bill and other payables	13	**3,829,080**	3,925,184
Contract liabilities		**31,845**	—
Amount due to a related company		**1,620**	3,977
Tax liabilities		**43,597**	28,342
Dividend payable to non-controlling interests		**27,195**	—
Borrowings - due within one year		**1,144,443**	953,030
Government grants		—	7,000
		5,077,780	4,917,533
NET CURRENT ASSETS		**2,420,868**	2,087,253
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,710,782**	7,444,269
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,327**	11,436
Borrowings - due after one year		**150,000**	—
		162,327	11,436
NET ASSETS		**7,548,455**	7,432,833

	NOTE	**2018**	2017
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital	14	**148,388**	147,923
Share premium and other reserves		**5,302,835**	5,219,404
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,451,223**	5,367,327
Non-controlling interests		**2,097,232**	2,065,506
TOTAL EQUITY		**7,548,455**	7,432,833

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**482,597**	481,473
Adjustments for:		
Depreciation and amortisation	**529,664**	529,245
Interest income	**(41,349)**	(36,664)
Gain on fair value changes on investment properties	**(5,420)**	(8,350)
Loss on disposal of property, plant and equipment	**9,652**	2,699
Impairment losses recognised on trade and other receivables	**19,024**	15,939
Impairment loss reversed on trade and other receivables	**(3,912)**	(1,193)
Recognition of equity-settled share-based payments	**5,105**	7,126
Finance costs	**44,974**	38,094
Loss on change in fair value of financial assets at fair value through profit or loss	**2,533**	—
Unrealised exchange gain	**(14,583)**	—
Operating cash flows before movements in working capital	**1,028,285**	1,028,369
Decrease (increase) in inventories	**44,647**	(165,554)
Increase in trade, bill and other receivables	**(38,149)**	(825,335)
Increase in financial assets at fair value through profit or loss	**(62,782)**	—
Decrease (increase) in prepayments	**3,000**	(31,963)
(Decrease) increase in trade, bill and other payables	**(41,923)**	1,123,372
Increase in contract liabilities	**27,317**	—
Decrease in government grants received	**(7,000)**	—
(Decrease) increase in amount due to a related company	**(2,357)**	896
Cash generated from operations	**951,038**	1,129,785
Income taxes paid	**(96,289)**	(117,172)
NET CASH FROM OPERATING ACTIVITIES	**854,749**	1,012,613

	2018	2017
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(634,887)**	(379,082)
Placement of pledged bank deposits	**(117,000)**	(68,000)
Purchases of land use rights	**(9,541)**	(55,855)
Withdrawal of pledged bank deposits	**133,000**	69,500
Proceeds on disposal of property, plant and equipment	**33,324**	4,005
Interest received	**5,127**	3,045
Placement of fixed bank deposits with more than three months to maturity when placed	**—**	(100,000)
NET CASH USED IN INVESTING ACTIVITIES	**(589,977)**	(526,387)
FINANCING ACTIVITIES		
New bank borrowings raised	**1,551,902**	724,886
Other loans raised	**50,000**	2,500
Repayments of bank borrowings	**(1,260,530)**	(693,250)
Dividends paid	**(146,860)**	(143,323)
Dividends paid to non-controlling interests of a subsidiary	**(45,691)**	(45,690)
Interest paid	**(51,809)**	(38,495)
Payment on repurchase of ordinary shares	**(28,946)**	(12,139)
Repayment of other loans	**—**	(3,900)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**68,066**	(209,411)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**332,838**	276,815
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**756,985**	480,170
Effect of foreign exchange rate changes	**14,624**	—
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**1,104,447**	756,985

NOTES

1. GENERAL

Xingda International Holdings Limited (the "Company") is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address 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 People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries (the "Group").

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS Standards")

New and Amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle
Amendments to IAS 40	Transfer of Investment Property

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

2.1 IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from the sales of radial tire cords, bead wires and other wires which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 3 and 6 to the consolidated financial statements respectively.

Summary of effects arising from initial application of IFRS 15

As at 1 January 2018, the Group has trade deposits received from customers amounted to RMB4,528,000 previously included in trade and other payables were reclassified to contract liabilities. The impacts from the application on IFRS 15 thereof are shown in the following table.

	31 December 2017	Impact on adoption of IFRS 15	Impact on 1 January 2018
	(Audited)		(Restated)
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade, bill and other payables	3,925,184	(4,528)	3,920,656
Contract liabilities	—	4,528	(4,528)

The following table summaries the impacts of applying to IFRS 15 on consolidated statement of financial position at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade, bill and other payables	3,829,080	31,845	3,860,925
Contract liabilities	31,845	(31,845)	—

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Increase in trade, bill and other payables	(41,923)	27,317	14,606
Increase in contract liabilities	27,317	(27,317)	—

2.2 IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement.*

Accounting policies resulting from application of IFRS 9 are disclosed in note 3 to the consolidated financial statements.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	Amortised cost (previously classified as loans and receivables)	Retained profits	Non-controlling interests
		RMB'000	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 (audited) - IAS 39		7,220,765	4,089,720	2,065,506
Effect arising from initial application of IFRS 9:				
Remeasurement				
Impairment under ECL model	(a)	(12,646)	(9,066)	(3,580)
Opening balance at 1 January 2018 – IFRS 9		7,208,119	4,080,654	2,061,926

Note:

(a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and bill receivables. Trade receivables have been assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

Except for those which had been determined as credit impaired under IAS 39, loss allowances for other financial assets at amortised cost mainly comprise of fixed bank deposits with more than three months to maturity when placed, other receivables, pledged bank deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit losses allowance of RMB12,646,000 has been recognised against retained profits and non-controlling interests. The additional loss allowance is charged against the trade and bill receivables.

All loss allowance for trade and bill receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Trade and bill receivables *RMB'000*
At 31 December 2017 - IAS 39	82,288
Amounts remeasured through opening retained profits and non-controlling interests	12,646
At 1 January 2018	94,934

2.3 *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	Impact on adoption of IFRS 15	Impact on adoption of IFRS 9	1 January 2018 (Restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS	5,357,016			5,357,016
CURRENT ASSETS				
Trade, bill and other receivables	5,448,113	—	(12,646)	5,435,467
Others	1,556,673	—	—	1,556,673
	7,004,786			6,992,140
CURRENT LIABILITIES				
Trade, bill and other payables	3,925,184	(4,528)	—	3,920,656
Contract liabilities	—	4,528	—	4,528
Others	992,349	—	—	992,349
	4,917,533			4,917,533
NET CURRENT ASSETS	2,087,253			2,074,607

TOTAL ASSETS LESS CURRENT LIABILITIES	7,444,269			7,431,623
NON-CURRENT LIABILITIES	11,436	—	—	11,436
NET ASSETS	7,432,833			7,420,187
CAPITAL AND RESERVES				
Share capital	147,923	—	—	147,923
Share premium and other reserves	5,219,404	—	(9,066)	5,210,338
	5,367,327			5,358,261
Non-controlling interests	2,065,506	—	(3,580)	2,061,926
TOTAL EQUITY	7,432,833			7,420,187

New and Amendments to IFRS Standards issued but not yet effective

The Group has not early applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	Lease[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new IFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4. REVENUE AND SEGMENT INFORMATION

Revenue

(a) Disaggregation of revenue

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

	2018	2017
	RMB'000	*RMB'000*
Sale of products		
Radial tire cords		
- For trucks	**4,488,106**	3,998,660
- For passenger cars	**2,182,038**	2,158,368
Bead wires and other wires	**888,223**	729,886
Total	**7,558,367**	6,886,914
Timing of revenue recognition		
A point in time	**7,558,367**	6,886,914

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

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

(b) Performance obligations for contracts with customers

Sale of radial tire cords, bead wires and other wires (revenue recognised at a point in time).

The Group sells radial tire cords and wires to external customers in which the revenue is recognised when the control of the goods has transferred to the customers, being when the goods have been shipped to the external customers' specific location. The average credit term is 120 days upon delivery.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

All performance obligations for sale of radial tire cords, bead wires and other wires are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 fixed deposits with more than three months to maturity when placed) by geographical locations of the assets are details below:

	2018	2017
	RMB'000	*RMB'000*
The PRC	**4,173,698**	4,275,093
Thailand	**198,895**	66,295
	4,372,593	4,341,388

Geographical information

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

	2018	2017
	RMB'000	*RMB'000*
The PRC (country of domicile)	**5,561,035**	5,285,470
India	**422,794**	276,096
United States of America	**331,000**	272,851
Korea	**165,551**	172,938
Germany	**73,077**	43,038
Others	**1,004,910**	836,521
	7,558,367	6,886,914

"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 years ended 31 December 2018 and 2017.

5. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Sales of scrap materials	**52,041**	45,050
Interest income earned on bank balances and bank deposits	**41,349**	36,664
Waiver of trade payable (Note)	**24,811**	—
Rental income from investment properties, net	**6,796**	6,042
Service income	**4,122**	2,874
Sundry income	**7,589**	6,920
	136,708	97,550

Note: The amount represented the waiver of outstanding trade payable to a supplier based on the decision of the court for the poor quality of goods supplied.

6. OTHER GAINS AND LOSSES, NET

	2018	2017
	RMB'000	*RMB'000*
Gain from change in fair value of investment properties	**5,420**	8,350
Loss on disposal of property, plant and equipment	**(9,652)**	(2,699)
Loss on change in fair value of financial assets at fair value through profit or loss	**(2,533)**	—
Net foreign exchange gain (loss)	**27,499**	(22,767)
Others	**(1,309)**	—
	19,425	(17,116)

7. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Interests on:		
Bank loans and other borrowings	**45,626**	34,801
Bill receivables discounted	**8,202**	3,293
	53,828	38,094
Less: amount capitalised in the cost of qualifying assets	**(8,854)**	—
	44,974	38,094

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.92% per annum to expenditure on qualifying assets (2017: nil).

8. INCOME TAX EXPENSE

	2018 *RMB'000*	2017 *RMB'000*
Current tax	**95,195**	95,431
(Over) under provision in prior years	**(382)**	616
Withholding tax paid	**16,731**	6,930
Deferred tax	**(802)**	212
	110,742	103,189

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate of 25% for both years 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% from 1 January 2008 onwards except for the subsidiary described below.

Jiangsu Xingda renewed its High-tech Enterprise Certificate which expired on 6 July 2018 with the relevant authorities announced publicly on 20 October 2018 that Jiangsu Xingda is continued to entitle the tax incentive as High-tech Enterprise and accordingly, the status of of High-tech Enterprise is to be effective for the years 2018, 2019 and 2020. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax of Jiangsu Xingda for the years ended 31 December 2018 and 2017.

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 years.

9. PROFIT FOR THE YEAR

	2018 *RMB'000*	2017 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	**659,283**	581,264
Retirement benefits scheme contributions	**61,614**	42,157
Share-based payments	**5,105**	7,126
Total staff costs	**726,002**	630,547
Less: capitalised in inventories	**(435,100)**	(403,143)
Less: included in research and development expenditure	**(34,660)**	(31,636)
	256,242	195,768
Auditor's remuneration	**2,224**	2,106
Cost of inventories recognised as an expense	**6,235,889**	5,609,213
Depreciation and amortisation		
- Property, plant and equipment	**522,441**	522,225
- Prepaid lease payments	**7,223**	7,020
Total depreciation and amortisation	**529,664**	529,245
Less: capitalised in inventories	**(443,439)**	(459,399)
Less: included in research and development expenditure	**(2,349)**	(330)
	83,876	69,516
Gross rental income from investment properties	**(7,312)**	(6,152)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**516**	110
Rental income from investment properties, net	**(6,796)**	(6,042)
Operating lease payments in respect of premises	**290**	290

10. DIVIDEND

	2018 *RMB'000*	2017 *RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year: Final dividend paid in respect of the year ended 31 December 2017 – 15.0 HK cents per share (2017: final dividend paid in respect of the year ended 31 December 2016 – 15.0 HK cents per share)	**186,143**	197,031
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2017: 15.0 HK cents) per share	**191,842**	179,529

During the current year, a final dividend of 15.0 HK cents (2017: 15.0 HK cents) per ordinary share in an aggregate amount of RMB186,143,000 (2017: RMB197,031,000) with scrip alternatives in respect of the year ended 31 December 2017 (2017: 31 December 2016) was approved at the annual general meeting of the Company held on 23 May 2018 (2017: 24 May 2017).

These scrip alternatives were accepted by certain ordinary shareholders, as follows:

	Year ended 31.12.2017 *RMB'000*	Year ended 31.12.2016 *RMB'000*
Dividends:		
Cash	146,860	143,323
Ordinary share alternative	39,283	53,708
	186,143	197,031

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2018 of 15.0 HK cents (2017: 15.0 HK cents) per ordinary share in an aggregate amount of RMB191,842,000 (2017: RMB179,529,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividend proposed for the year ended 31 December 2018 and the dividend paid for financial year ended 31 December 2017 will be or were paid out of share premium. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum of Association and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

11. EARNINGS PER SHARE

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

	2018 ***RMB'000***	2017 *RMB'000*
Profit for the year attributable to owners of the Company		
Earnings for the purpose of basic and diluted earnings per share	**263,663**	287,363

	2018	2017
	’000	’000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,479,486**	1,478,551
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**2,220**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,481,706**	1,478,551

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

12. TRADE, BILL AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates.

The Group accepts bills from various local customers as settlement when the trade receivables fall due. Before accepting the bills, the Group would confirm with the relevant banks on the validity of the bills. It is the Group's practice to utilise bills received to settle certain of its debts. The aged analysis of bill receivables is presented based on the invoice date of trade receivables as at the end of the reporting period which approximated the respective revenue recognition dates.

	2018	2017
	RMB’000	*RMB’000*
Trade receivables - goods	**2,795,407**	2,503,530
Less: Allowance for credit losses	**(110,046)**	(82,288)
	2,685,361	2,421,242
Bill receivables	**2,627,955**	2,928,758
	5,313,316	5,350,000
Advances to raw material suppliers	**25,697**	8,567
Prepayment for spools	**31,189**	15,130
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**82,002**	45,780
Other receivables and prepayments	**48,163**	34,277
Less: Allowance for credit losses on other receivables	**(5,641)**	(5,641)
	181,410	98,113
	5,494,726	5,448,113

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 respective revenue recognition dates:

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
0 - 90 days	**1,899,567**	1,987,063
91 - 120 days	**278,767**	241,601
121 - 180 days	**329,103**	141,125
181 - 360 days	**177,924**	49,297
Over 360 days	**—**	2,156
	2,685,361	2,421,242
Bill receivables		
0 - 90 days	**301,037**	199,392
91 - 180 days	**860,253**	1,077,549
181 - 360 days	**1,297,774**	1,468,549
Over 360 days	**168,891**	183,268
	2,627,955	2,928,758

13. TRADE, BILL AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**2,372,995**	2,779,281
Bill payables	**690,000**	340,000
	3,062,995	3,119,281
Value-added tax payables and other tax payables	**56,356**	60,425
Accrued staff costs and pension	**223,943**	210,197
Payables for purchase of property, plant and equipment	**391,279**	442,951
Accrued interest expense	**3,146**	1,127
Accrued electricity charges	**51,962**	30,350
Others	**39,399**	60,853
	766,085	805,903
	3,829,080	3,925,184

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period.

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
0 - 90 days	**1,391,144**	1,327,866
91 - 180 days	**577,156**	1,039,377
181 - 360 days	**308,100**	331,298
Over 360 days	**96,595**	80,740
	2,372,995	2,779,281
Bill payables		
91 - 180 days	**630,296**	—
181 - 360 days	**59,704**	340,000
	690,000	340,000

All Group's trade payables are denominated in the functional currency of the group entities.

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

14. SHARE CAPITAL

	Number of shares		Share capital	
	2018	2017	**2018**	2017
	'000	*'000*	***RMB'000***	*RMB'000*
Authorised:				
3 billion ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**301,410**	301,410
Issued and fully paid:				
At beginning of year	**1,486,396**	1,468,447	**147,923**	146,365
Issuance of scrip shares (note)	**19,829**	23,347	**1,657**	2,012
Repurchase of shares	**(13,694)**	(5,398)	**(1,192)**	(454)
At end of year	**1,492,531**	1,486,396	**148,388**	147,923

Note: During the year ended 31 December 2018, the Company issued and allotted 19,829,331 new ordinary shares of HK$0.1 each as scrip alternatives for the final dividend for the year ended 31 December 2017, with RMB1,657,000 and RMB37,626,000 credited to share capital and share premium, respectively.

During the year ended 31 December 2018, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of ordinary shares *'000*	Price per share Highest *HK$*	Price per share Lowest *HK$*	Aggregate consideration paid *HK$'000*	Aggregate consideration paid equivalent to *RMB'000*
January 2018	1,844	3.05	2.82	5,274	4,648
July 2018	11,850	2.52	2.17	27,570	24,298
	13,694			32,844	28,946

The above shares were cancelled subsequently after their repurchase. Save as disclosed above and apart from the Company's shares purchased under the share-award scheme of the Company as mentioned in note 31 to the consolidated financial statements, neither the Company nor any of the Company's subsidiaries purchased, repurchased, sold or redeemed any of the Company's shares during the years ended 31 December 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the China Rubber Industry Association, China's tire output decreased slightly by 0.76%[1] to approximately 648 million units in 2018, of which approximately 609 million were radial tires, a slight 0.65% drop year-on-year, indicative of the overall stable performance of the industry. Affected by the year-on-year decline of passenger car output in China, output of radial tires for passenger cars also dropped to approximately 476 million units or by 1.24% year-on-year. Meanwhile, steady development of the Chinese economy and the transportation and logistics industry however, has braced demand for replacement tires for trucks. Radial tires output for trucks was approximately 133 million units or a slightly 1.53% up year-on-year. In 2018, radialization rate slightly increased to 94% (2017: around 93%)

According to the China Association of Automobile Manufacturers, approximately 3,790,700 units of trucks were produced nationwide in 2018, an increase of 2.9% year-on-year. The climb was mainly driven by the "Work Plan for Regulating Car Carrier Trailers" implemented by the Chinese government to regulate the overrunning and overloading of trucks, subsequently triggering a replacement phase for trucks in China and stimulated the market demand for new trucks. As for passenger cars, about 23,529,000 units were produced, slightly down by 5.2% year-on-year, mainly as a result of the government lowering tax benefits for purchasing new small vehicles.

[1] The decline was calculated based on the tire output data of China in 2018 published by the China Rubber Industry Association on 15 March 2019 in comparison with the verified tire output data of China in 2017.

BUSINESS REVIEW

In 2018, as the economic growth of China slowed down, the Chinese government implemented a series of favorable policies to support investment and credit growth. This policy direction coupled with the steady growth in total road logistics volume drove the market demand for replacement of radial tires. During the year under review, the Group's sales volume of radial tire cords rose by 2.0% to 666,600 tonnes, accounting for 83.3% of the Group's total sales volume (2017: 84.5%). Sales volume of bead wires and other wires increased by 11.9% to 134,100 tonnes, making up 16.7% of the Group's total sales volume (2017: 15.5%).

During the year under review, the steady rise of the road passenger and freight traffic volume plus the government's strengthened efforts to regulate, supervise and implement policies to prohibit illegal modification, overrunning and overloading of trucks have stimulated truck production, thereby spuring a climb of 5.7% year-on-year in the sales volume of the Group's radial tire cords for trucks to 440,100 tonnes. Sales volume of radial tire cords for passenger cars declined by 4.4% year-on-year to 226,500 tonnes. It was mainly attributable to the slight drop in demand and output of radial tires for passenger cars in China. The Group's sales of radial tire cords for passenger cars in the domestic market were also under pressure. Sales volume of radial tire cords for trucks and passenger cars accounted for 66.0% and 34.0% of the Group's total sales volume of radial tire cords respectively (2017: 63.7% and 36.3%).

Sales Volume	**2018** ***Tonnes***	2017 *Tonnes*	Change
Radial tire cords	**666,600**	653,400	+2.0%
- For trucks	***440,100***	*416,300*	*+5.7%*
- For passenger cars	***226,500***	*237,100*	*-4.4%*
Bead wires and other wires	**134,100**	119,800	+11.9%
Total	**800,700**	773,200	+3.6%

During the year under review, the overall demand for radial tires in China remained stable. The Group's sales volume of radial tire cords in China market dropped slightly by 2.6% to 498,100 tonnes (2017: 511,600 tonnes), accounting for 74.7% of the Group's total sales volume of radial tire cords (2017: 78.3%). Meanwhile, the Group has continued to push forward its international business strategy. It has endeavored to optimize its product mix and to seek business advances in all of its markets. The Pan-Asia Pacific (excluding China), America and Europe continued to be the Group's principal overseas markets. Overseas sales volume of radial tire cords increased by 18.8% to 168,500 tonnes (2017: 141,800 tonnes), accounting for 25.3% of the Group's total sales volume of radial tire cords in 2018 (2017: 21.7%).

As of 31 December 2018, the annual production capacity of radial tire cords of the Jiangsu factory and the Shandong factory are 625,000 tonnes and 103,000 tonnes respectively. Given the strong demand of Southeast Asian and Indian markets for its products, the Group has strategically decided to build a new factory in Thailand. Production capacity of radial tire cords of such new Thailand factory in the first phase is expected to be 50,000 tonnes. As of 31 December 2018, the annual production capacity of bead wires and other wires of the Group is 155,000 tonnes. During the year under review, the Group's overall capacity utilization rate has been maintained at 90% (2017: 90%).

	2018 Production Capacity (Tonnes)	**2018 Utilization Rate**	2017 Production Capacity (Tonnes)	2017 Utilization Rate
Radial tire cords	**728,000**	**91%**	725,000	91%
Bead wires and other wires	**155,000**	**87%**	141,000	85%
Overall	**883,000**	**90%**	866,000	90%

As of the end of 2018, the Group provided a wide range of products including 331 types of radial tire cords, 112 types of bead wires and other wires.

FINANCIAL REVIEW

Revenue

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

RMB in million	**2018**	**Proportion**	2017	Proportion	Change
Radial tire cords	**6,670.2**	**88%**	6,157.0	89%	+8.3%
- For trucks	***4,488.1***	***59%***	*3,998.6*	*58%*	*+12.2%*
- For passenger cars	***2,182.1***	***29%***	*2,158.4*	*31%*	*+1.1%*
Bead wires and other wires	**888.2**	**12%**	729.9	11%	+21.7%
Total	**7,558.4**	**100%**	6,886.9	100%	+9.7%

The Group's total revenue in 2018 rose by 9.7%, or RMB671.5 million, to RMB7,558.4 million, mainly due to two upward adjustments to the prices of its radial tire cord during the year under review and the moderate growth in the sales volume of the products.

Gross profit and gross profit margin

During the year under review, the Group's gross profit rose by 3.5%, or RMB44.8 million, year-on-year to RMB1,322.5 million (2017: RMB1,277.7 million), mainly driven by the increment of sales volume and prices of radial tire cord products. The average steel rod prices were maintained at the high level during the year under review, therefore the gross profit margin shrank by 1.1 percentage points to 17.5% (2017: 18.6%).

Other income

Other income increased by RMB39.1 million or 40.1%, from RMB97.6 million in 2017 to RMB136.7 million for the year under review, mainly due to the waiver of trade payable of RMB24.8 million and the increase in income from sales of scrap materials and bank interest income derived from placing fixed bank deposits and bank balances.

Government grants

Government grants for the year decreased by RMB15.8 million or 53.4% from RMB29.6 million in 2017 to RMB13.8 million mainly due to the decrease in recurring subsidies from the local government.

Distribution and selling expenses

In 2018, distribution and selling expenses increased by RMB36.7 million or 7.7% to RMB512.6 million (2017: RMB475.9 million), which was mainly caused by the higher transportation, custom and storage costs associated with higher export sales volume.

Administrative expenses

Administrative expenses for the year increased by RMB42.8 million or 13.4% to RMB361.9 million. Such increase was mainly due to an increase in salaries and pension provision and depreciation charges on office premises.

Other gain and losses, net

Other gains and losses, net increased by RMB36.5 million or 213.5% from net loss of RMB17.1 million in 2017 to net gain of RMB19.4 million in 2018, mainly attributable to the net foreign exchange gain which was partially offset by the increase in loss on disposal of property, plant and equipment.

Finance costs

Finance costs increased by RMB6.9 million or 18.1% to RMB45.0 million from RMB38.1 million in 2017. The increase was mainly due to the increase in interest on bill receivables and rise of weighted average interest rate of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB7.6 million or 7.3% to RMB110.7 million with an effective tax rate of 22.9% (2017: 21.4%). The increase in income tax expense was mainly caused by the increase in withholding tax on dividend distributed by the Group's PRC subsidiaries.

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2018 decreased by RMB6.4 million or 1.7% from RMB378.3 million in 2017 to RMB371.9 million. If the loss on change in fair value of financial assets through profit and loss, deferred tax charges related to provision of withholding tax from non-operating activities and net exchange loss (gain) arising from non-operating activities were excluded, the adjusted net profit of the Group for the year ended 31 December 2018 would be RMB385.5 million, representing an increase of RMB7.6 million or 2.0% when compared with the previous year.

Reconciliation of report profit and underlying profit

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**371,855**	378,284
Loss on change in fair value of financial assets through profit and loss	**2,533**	—
Deferred tax charges related to the provision of withholding tax	**5,982**	7,015
Net exchange loss (gain) arising from non-operating activities	**5,099**	(7,427)
Underlying profit for the year	**385,469**	377,872
Underlying profit for the year attributable to:		
Owners of the Company	**277,277**	286,951
Non-controlling interests	**108,192**	90,921
	385,469	377,872

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year under review, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flow generated from operating activities whereas the principal uses of cash were expansion of production capacity, payment of dividends and purchase of financial assets at fair value through profits or loss.

Bank balances and cash including bank deposits of the Group increased by RMB347.4 million from RMB757.0 million as at 31 December 2017 to RMB1,104.4 million as at 31 December 2018. The increase was mainly due to the cash generated from operating activities of RMB854.7 million, financing activities of RMB68.1 million and effect of foreign exchange rate changes of RMB14.6 million exceeding the cash used in investing activities of RMB590.0 million.

Borrowings increased by RMB341.4 million or 35.8% to RMB1,294.4 million as at 31 December 2018 from RMB953.0 million as at 31 December 2017. The bank borrowings carry interest at market rates from 2.92% to 4.41% (2017: 2.82% to 4.35%). Borrowings of RMB1,144.4 million are repayable within one year from 31 December 2018 and remaining borrowings balance of RMB150.0 million is repayable after one year from 31 December 2018.

The Group's current assets increased by 7.1% to RMB7,498.6 million as at 31 December 2018 from RMB7,004.8 million as at 31 December 2017 and its current liabilities increased by 3.3% from RMB4,917.5 million as at 31 December 2017 to RMB5,077.8 million as at 31 December 2018. The Group's current ratio, being defined as current assets over current liabilities, increased from 1.42 times as at 31 December 2017 to 1.48 times as at 31 December 2018. The increase was mainly caused by an increase in bank balances and cash together with a decrease in trade, bill and other payables. The gearing ratio which is measured by total debts (borrowings) to total assets increased from 7.7% as at 31 December 2017 to 10.1% as at 31 December 2018 mainly due to an increase in borrowings.

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, while the exchange rate fluctuation of renminbi did not have a significant adverse effect on the operating results of the Group in 2018.

Apart from certain bank and debtors' balances in US dollars, Euros, Hong Kong dollars and Thai baht, most of the assets and 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 exposure during the year under review. However, the Group is closely monitoring the impact of change in value of Renminbi on its operations and may consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the year ended 31 December 2018, capital expenditure of the Group for property, plant and equipment amounted to RMB592.1 million (2017: RMB541.8 million).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had made capital commitment of approximately RMB400.9 million (31 December 2017: RMB230.0 million) for acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted for in both 2017 and 2018.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018 and 31 December 2017.

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged bank deposits of RMB52.0 million to banks to secure bill payables of the Group (31 December 2017: RMB68.0 million).

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 (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, of approximately HK$71.4 million was satisfied by the internal resources of the Group. Save as disclosed above, the Group had no other significant investments for the year ended 31 December 2018 and 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the years ended 31 December 2018 and 31 December 2017.

HUMAN RESOURCES

As at 31 December 2018, the Group had approximately 6,800 full time employees (31 December 2017: approximately 7,000). Total staff costs including directors' remuneration for the year ended 31 December 2018 was approximately RMB726.0 million (2017: approximately RMB630.5 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 knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda and Shandong Xingda contributes 2% of the total salary of its staff ("Union Fee") to support the operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour 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 year ended 31 December 2018, the amount of Union Fees contributed by Jiangsu Xingda and Shandong Xingda to the Xingda Labour Union amounted to RMB11.1 million (2017: RMB9.4 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 state 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 the pension funds, the Group has provided medical, personal accident and unemployment insurance policies for its employees.

In 2009, the Board of Directors adopted a share award scheme to encourage and retain elite employees to stay with the Group and to provide incentives to achieve performance goals with a view to attaining 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 selected employees until such shares are vested in the selected employees in accordance with the provisions of the scheme.

In 2010, 5,000,000 shares in the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares in the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares in 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 treated as the "Third Batch Shares". In 2014, 4,519,000 shares in 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 in 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 were added to the Fourth Batch Shares and were held by the trustee. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company were added to the Fourth Batch Shares and were held by the trustee. As at 31 December 2018, the balance of the Third Batch Shares and the Fourth Batch Shares were 116,000 shares and 8,389,277 shares respectively.

As at 31 December 2018, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. The balance of Third Batch Shares and all Fourth Batch Shares are expected to be vested with selected employees in a three-year period from 2019 to 2021.

PROSPECTS

Looking ahead, facing the complex international economic and trade environment, improving quality and efficiency is expected to continue to be the key fundamental priorities for the Chinese economy. In achieving that goal, it is expected that China will make further structural adjustments to its industries, so as to support a healthy development trend such as continued steady economic progress, and consumption upgrade while improving investment. Meanwhile, the flourishing e-commerce and logistics industries in China are expected to drive the stable growth of road transportation in the country, which will be conducive to the future development of the radial tire cord industry.

However, as challenges are expected for the Chinese and global economy in the foreseeable future, small to medium enterprises with obsolete capacity and insufficient capital will face greater financing difficulty. With such enterprises with obsolete capacity being ousted, the radial tire cord industry is expected to see further consolidation. Armed with abundant capital and boasting industry leadership, Xingda will be able to seize opportunities timely in the industry which will be going through consolidation and adjustment.

As for overseas markets, the Group will continue to monitor the macroeconomic trends and accelerate its globalization strategy of building factories overseas in a bid to diversify the market risks. At the same time, it will fuel the expansion of its business and customer base in emerging markets and adopt a proactive but prudent approach in response to the current fluctuating global political and economic situation.

As for the year ahead, dramatic shifts in the external environment present opportunities and challenges. Xingda will continue to grasp development opportunities through its insight of the market. It will also continue to improve its technological level, enhance quality of its products and flexibly implement sales strategy, with the aim of reinforcing its leading position in the market and continuously creating sustainable returns to all shareholders.

DIVIDEND

The Board has recommended the payment of a final dividend of 15.0 HK cents (approximately RMB13.1 fen) per share for the financial year ended 31 December 2018 with the shareholders of the Company being given an option to elect to receive such proposed final dividend all in new shares, or all in cash, or partly in new shares and partly in cash (the “Scrip Dividend Scheme”). The proposed final dividend will be paid to the shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2019.

The Scrip Dividend Scheme is subject to (1) the approval of the proposed final dividend at the forthcoming annual general meeting; (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto; and (3) where necessary, the white wash waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his/her delegate.

A circular containing full details of the Scrip Dividend Scheme together with the form of election will be sent out to the shareholders on or around Friday, 21 June 2019. It is expected that the final dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Thursday, 18 July 2019.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Tuesday, 28 May 2019, notice of which will be published and dispatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 28 May 2019, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 May 2019.

The proposed final dividend for the year ended 31 December 2018 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 28 May 2019. The register of members of the Company will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Monday, 3 June 2019.

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

For the year ended 31 December 2018, the Company repurchased 13,694,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB28.9 million. Such shares have been cancelled up to the date of this announcement. Details of repurchase are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$ Million	Equivalent to RMB Million
January 2018	1,844,000	3.05	2.82	5.3	4.6
July 2018	11,850,000	2.52	2.17	27.5	24.3
Total	13,694,000			32.8	28.9

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, repurchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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 Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, 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 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.

Code provision A.6.7 provides, among other things, that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 23 May 2018 as they had to attend other meetings or were engaged in other businesses and commitments. However, Mr. Koo, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the independent non-executive Directors was ensured.

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 (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 year ended 31 December 2018.

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 inside information.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group, discussed auditing and financial reporting matters and have reviewed the annual results of the Group for the year ended 31 December 2018. In addition, the consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report was issued.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.irasia.com/listco/hk/xingda/index.htm. The annual report will be dispatched to the shareholders and available on the above websites in due course.

APPRECIATION

The Board would like to express its gratitude to all employees for their diligence and contribution. At the same time, the Board is also thankful for the support it has from all the customers, suppliers and shareholders of the Group. The Group will continue to work as a team to push for more brilliant results in 2019.

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

Shanghai, the PRC, 28 March 2019

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