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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019 ***RMB in million*** **(Unaudited)**	2018 *RMB in million* (Audited)	**Change**
Revenue	**7,582.7**	7,558.4	**+0.3%**
Gross profit margin	**19.4%**	17.5%	**+1.9pp**
EBITDA (note)	**1,106.9**	1,057.2	**+4.7%**
Profit attributable to owners of the Company	**288.8**	263.7	**+9.5%**
Earnings per share –			
basic (RMB fen)	**19.12**	17.82	**+7.3%**
diluted (RMB fen)	**19.08**	17.79	**+7.3%**
Gearing ratio	**15.7%**	10.1%	**+5.6pp**
Proposed final dividend/ Final dividend per share (HK cents)	**15.0**	15.0	**—**
Dividend payout ratio	**70.9%**	74.7%	**-3.8pp**

Note:
It is defined as profit before finance costs, income tax expense, depreciation and amortisation

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under "Review of Unaudited Annual Statements", the auditing process for the annual results of Xingda International Holdings Limited (the "Company" or "Xingda") and its subsidiaries (collectively, the "Group") has not been completed. In the meantime, the board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	4	**7,582,682**	7,558,367
Cost of sales		**(6,111,469)**	(6,235,889)
Gross profit		**1,471,213**	1,322,478
Other income	5	**126,422**	136,708
Government grants		**13,731**	13,798
Distribution and selling expenses		**(546,639)**	(512,584)
Administrative expenses		**(382,226)**	(361,892)
Other gains and losses, net	6	**31,285**	19,425
Impairment loss recognised on trade and other receivables		**(25,343)**	(15,112)
Research and development expenditure		**(107,097)**	(75,250)
Finance costs	7	**(40,709)**	(44,974)
Profit before tax		**540,637**	482,597
Income tax expense	8	**(129,986)**	(110,742)
Profit for the year	9	**410,651**	371,855
Other comprehensive income item that can be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**40,013**	—
Total comprehensive income for the year		**450,664**	371,855

	NOTE	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Profit for the year attributable to:			
Owners of the Company		**288,752**	263,663
Non-controlling interests		**121,899**	108,192
		410,651	371,855
Total comprehensive income for the year attributable to:			
Owners of the Company		**328,765**	263,663
Non-controlling interests		**121,899**	108,192
		450,664	371,855
Earnings per share	11		
Basic (RMB fen)		**19.12**	17.82
Diluted (RMB fen)		**19.08**	17.79

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,526,709**	3,843,962
Right-of-use assets		**282,349**	—
Prepaid lease payments		**74,593**	344,708
Investment properties		**157,040**	153,960
Fixed bank deposits with more than three months to maturity when placed		**1,850,000**	900,000
Deferred tax assets		**21,262**	17,321
Prepayments		**26,963**	29,963
		6,938,916	5,289,914
CURRENT ASSETS			
Prepaid lease payments		—	7,315
Inventories		**671,314**	679,911
Financial assets at fair value through profit or loss		**84,673**	60,249
Fixed bank deposits with more than three months to maturity when placed		**12,000**	100,000
Trade, bill and other receivables	12	**5,602,557**	5,494,726
Pledged bank deposits		—	52,000
Bank balances and cash		**497,912**	1,104,447
		6,868,456	7,498,648
CURRENT LIABILITIES			
Trade, bill and other payables	13	**3,763,194**	3,829,080
Contract liabilities		**5,880**	31,845
Amount due to a related company		**3,187**	1,620
Tax liabilities		**40,115**	43,597
Dividend payable to non-controlling interests		—	27,195
Borrowings - due within one year		**1,872,941**	1,144,443
Lease liabilities		**560**	—
		5,685,877	5,077,780
NET CURRENT ASSETS		**1,182,579**	2,420,868
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,121,495**	7,710,782
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,952**	12,327
Borrowings - due after one year		**300,000**	150,000
Lease liabilities		**1,239**	—
		314,191	162,327
NET ASSETS		**7,807,304**	7,548,455

	NOTE	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
CAPITAL AND RESERVES			
Share capital	14	**151,728**	148,388
Share premium and other reserves		**5,509,626**	5,302,835
Equity attributable to owners of the Company		**5,661,354**	5,451,223
Non-controlling interests		**2,145,950**	2,097,232
TOTAL EQUITY		**7,807,304**	7,548,455

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
OPERATING ACTIVITIES		
Profit before tax	**540,637**	482,597
Adjustments for:		
Depreciation and amortisation	**517,755**	529,664
Depreciation of right-of-use assets	**7,817**	—
Interest income	**(66,213)**	(41,349)
Gain on fair value changes on investment properties	**(3,080)**	(5,420)
Loss on disposal of property, plant and equipment	**22,954**	9,652
Impairment losses recognised on trade and other receivables	**25,722**	19,024
Impairment loss reversed on trade and other receivables	**(379)**	(3,912)
Recognition of equity-settled share-based payments	**4,976**	5,105
Finance costs	**40,633**	44,974
Interests on lease liabilities	**76**	—
(Gain) loss on change in fair value of financial assets at fair value through profit or loss	**(24,424)**	2,533
Unrealised exchange gain	—	(14,583)
Operating cash flows before movements in working capital	**1,066,474**	1,028,285
Decrease in inventories	**8,597**	44,647
Increase in trade, bill and other receivables	**(147,210)**	(38,149)
Increase in financial assets at fair value through profit or loss	—	(62,782)
Decrease in prepayments	**3,000**	3,000
Decrease in trade, bill and other payables	**(271,496)**	(41,923)
(Decrease) increase in contract liabilities	**(15,965)**	27,317
Decrease in government grants received	—	(7,000)
Increase (decrease) in amount due to a related company	**1,567**	(2,357)
Cash generated from operations	**644,967**	951,038
Income taxes paid	**(136,784)**	(96,289)
NET CASH FROM OPERATING ACTIVITIES	**508,183**	854,749

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
INVESTING ACTIVITIES		
Placement of bank deposits	**(1,762,000)**	(117,000)
Purchases of property, plant and equipment	**(999,203)**	(634,887)
Purchases of right-of-use assets	**(25,765)**	—
Purchases of prepaid lease payments	**(8,006)**	(9,541)
Withdrawal of bank deposits	**900,000**	—
Interest received	**103,223**	5,127
Withdrawal of pledged bank deposits	**52,000**	133,000
Proceeds on disposal of property, plant and equipment	**3,857**	33,324
NET CASH USED IN INVESTING ACTIVITIES	**(1,735,894)**	(589,977)
FINANCING ACTIVITIES		
New bank borrowings raised	**2,700,811**	1,551,902
Other loans raised	**127,000**	50,000
Repayments of bank borrowings	**(1,896,813)**	(1,260,530)
Dividends paid	**(109,226)**	(146,860)
Dividends paid to non-controlling interests of a subsidiary	**(77,455)**	(45,691)
Interest paid	**(73,133)**	(51,809)
Repayment of other loans	**(52,500)**	—
Payment on repurchase of ordinary shares	**(28,243)**	(28,946)
Payment on purchase of award shares	**(9,062)**	—
Payments on lease liabilities	**(140)**	—
Interest paid on lease liabilities	**(76)**	—
NET CASH FROM FINANCING ACTIVITIES	**581,163**	68,066
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(646,548)**	332,838
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,104,447**	756,985
Effect of foreign exchange rate changes	**40,013**	14,624
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**497,912**	1,104,447

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs Standards")

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

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

IFRS 16	Leases
IFRIC - Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs 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.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by- lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.35%.

	At 1 January 2019 *RMB'000* (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	267
Lease liabilities discounted at relevant incremental borrowing rates	259
Add: Lease liabilities resulting from lease modifications of existing leases #	1,980
Less: Recognition exemption - short-term leases	(300)
Lease liabilities relating to operating leases recognised upon Application of IFRS 16	1,939
Analysed as	
Current	414
Non-current	1,525
	1,939

\# The Group renewed the lease of an office premise by entering into a new lease contract which commence after date of initial application, this new contract is accounted as lease modification of the existing contract upon application of IFRS 16.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000* (Unaudited)
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	1,939
Reclassified from prepaid lease payments (note)	285,436
	287,375
By class:	
Leasehold lands	285,436
Buildings	1,939
	287,375

Note:

Upfront payments for leasehold lands in the PRC were reclassified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB7,315,000 and RMB278,121,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied under trade and other payables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustment is recorded to refundable rental deposits received as the impact is insignificant.

(c) Effective on 1 January 2019, the Group has applied IFRS 15 *Revenue from contracts with customers* ("IFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

There is no impact of transition to IFRS 16 on retained profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
		RMB'000	*RMB'000*	*RMB'000*
		(Audited)	(Unaudited)	(Unaudited)
Non-current assets				
Prepaid lease payments	(a)	278,121	(278,121)	—
Right-of-use assets	(a)	—	279,614	279,614
Current assets				
Prepaid lease payments	(a)	7,315	(7,315)	—
Right-of-use assets	(a)	—	7,761	7,761
Current liabilities				
Lease liabilities		—	414	414
Non-current liabilities				
Lease liabilities		—	1,525	1,525

Note a: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

There is no impact on lessor's accounting under IFRS 16 for the consolidated financial statements of the Group for the current year.

New and Amendments to IFRSs Standards issued but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current as Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IAS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

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

[2] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs Standards, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

The directors of the Company anticipate that the application of all other new and amendments to IFRSs 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 Standards 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sale of products		
Radial tire cords		
- For trucks	**4,286,686**	4,488,106
- For passenger cars	**2,456,984**	2,182,038
Bead wires and other wires	**839,012**	888,223
Total	**7,582,682**	7,558,367
Timing of revenue recognition		
A point in time	**7,582,682**	7,558,367

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 one 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.

(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:

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
The PRC	**3,979,241**	4,173,698
Thailand	**1,088,413**	198,895
	5,067,654	4,372,593

Geographical information

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

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
The PRC (country of domicile)	**5,538,752**	5,561,035
India	**323,638**	422,794
United States of America	**265,168**	331,000
Thailand	**257,046**	226,025
Korea	**175,983**	165,551
Germany	**99,492**	73,077
Others	**922,603**	778,885
	7,582,682	7,558,367

"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 2019 and 2018.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of scrap materials	**40,664**	52,041
Interest income earned on bank balances and bank deposits	**66,213**	41,349
Waiver of trade payable (Note)	—	24,811
Rental income from investment properties, net	**4,804**	6,796
Service income	**1,974**	4,122
Sundry income	**12,767**	7,589
	126,422	136,708

Note: The amount in prior year 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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Gain from change in fair value of investment properties	**3,080**	5,420
Loss on disposal of property, plant and equipment	**(22,954)**	(9,652)
Dividend income from financial assets at fair value through profit or loss	**2,516**	—
Gain (loss) on change in fair value of financial assets at fair value through profit or loss	**24,424**	(2,533)
Net foreign exchange gain	**24,219**	27,499
Others	—	(1,309)
	31,285	19,425

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interests on:		
Bank loans and other borrowings	**63,118**	45,626
Bill receivables discounted	**9,799**	8,202
Finance cost in lease liabilities	**76**	—
	72,993	53,828
Less: amount capitalised in the cost of qualifying assets	**(32,284)**	(8,854)
	40,709	44,974

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.92% (2018: 2.92%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax	**100,925**	95,195
Under(over) provision in prior years	**31**	(382)
Withholding tax paid	**32,346**	16,731
Deferred tax	**(3,316)**	(802)
	129,986	110,742

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% from 1 January 2008 onwards except for the subsidiary described below.

In accordance with the renewed High-tech Enterprise Certificate issued on 24 October 2018, Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda") is continued to entitle the tax incentive as High-tech Enterprise and accordingly, the status 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 for the years ended 31 December 2019 and 2018.

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.

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

9. PROFIT FOR THE YEAR

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	**661,943**	659,283
Retirement benefits scheme contributions	**66,828**	61,614
Share-based payments	**4,976**	5,105
Total staff costs	**733,747**	726,002
Less: capitalised in inventories	**(444,973)**	(435,100)
Less: included in research and development expenditure	**(36,978)**	(34,660)
	251,796	256,242
Auditor's remuneration	**2,316**	2,224
Cost of inventories recognised as an expense	**6,111,469**	6,235,889
Depreciation and amortisation		
- Property, plant and equipment	**517,755**	522,441
- Prepaid lease payments	—	7,223
Total depreciation and amortisation	**517,755**	529,664
Less: capitalised in inventories	**(439,158)**	(443,439)
Less: included in research and development expenditure	**(5,731)**	(2,349)
	72,866	83,876
Gross rental income from investment properties	**(5,120)**	(7,312)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**316**	516
Rental income from investment properties, net	**(4,804)**	(6,796)
Operating lease payment in respect of premises	**N/A**	290
Depreciation of right-of-use assets	**7,817**	—

10. DIVIDEND

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2018 – 15.0 HK cents per share (2018: final dividend paid in respect of the year ended 31 December 2017 – 15.0 HK cents per share)	**197,077**	186,143
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2018: 15.0 HK cents) per share	**204,823**	197,077

During the current year, a final dividend of 15.0 HK cents (2018: 15.0 HK cents) per ordinary share in an aggregate amount of RMB197,077,000 (2018: RMB186,143,000) with scrip alternatives in respect of the year ended 31 December 2018 (2018: 31 December 2017) was approved at the annual general meeting of the Company held on 28 May 2019 (2019: 23 May 2018).

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

	Year ended 31.12.2018	Year ended 31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Dividends:		
Cash	**109,226**	146,860
Ordinary share alternative	**87,851**	39,283
	197,077	186,143

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2019 of 15.0 HK cents (2018: 15.0 HK cents) per ordinary share in an aggregate amount of RMB204,823,000 (2018: RMB197,077,000) 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 2019 and the dividend paid for financial year ended 31 December 2018 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 and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the year attributable to owners of the Company		
Earnings for the purpose of basic and diluted earnings per share	**288,752**	263,663

	2019	2018
	'000	'000
	(Unaudited)	(Audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,510,231**	1,479,486
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**3,153**	2,220
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,513,384**	1,481,706

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.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables - goods	**2,578,386**	2,795,407
Less: Allowance for credit losses	**(135,768)**	(110,046)
	2,442,618	2,685,361
Bill receivables	**2,974,538**	2,627,955
	5,417,156	5,313,316
Advances to raw material suppliers	**15,289**	25,697
Prepayment for spools	**12,251**	31,189
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**44,992**	82,002
Value-add tax receivable	**42,601**	—
Lease liabilities	**304**	—
Deposit paid for acquiring land use rights	**50,346**	27,372
Other receivables and prepayments	**24,880**	20,791
Less: Allowance for credit losses on other receivables	**(5,262)**	(5,641)
	185,401	181,410
	5,602,557	5,494,726

As at 1 January 2018, trade and bill receivables from contracts with customers amounted to RMB5,350,000.

The following is an aged analysis of trade and bill 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
0 - 90 days	**1,802,754**	1,899,567
91 - 120 days	**229,645**	278,767
121 - 180 days	**260,119**	329,103
181 - 360 days	**150,100**	177,924
	2,442,618	2,685,361
Bill receivables		
0 - 90 days	**362,678**	301,037
91 - 180 days	**1,036,660**	860,253
181 - 360 days	**1,418,944**	1,297,774
Over 360 days	**156,256**	168,891
	2,974,538	2,627,955

13. TRADE, BILL AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**2,151,758**	2,372,995
Bill payables	**662,000**	690,000
	2,813,758	3,062,995
Value-added tax payables and other tax payables	**34,912**	56,356
Accrued staff costs and pension	**225,469**	223,943
Payables for purchase of property, plant and equipment	**587,105**	391,279
Accrued interest expense	**2,930**	3,146
Accrued electricity charges	**55,400**	51,962
Accrued sewage expenses	**12,941**	—
Others	**30,679**	39,399
	949,436	766,085
	3,763,194	3,829,080

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
0 - 90 days	**1,501,132**	1,391,144
91 - 180 days	**277,044**	577,156
181 - 360 days	**286,656**	308,100
Over 360 days	**86,926**	96,595
	2,151,758	2,372,995
Bill payables		
0 - 90 days	**351,230**	—
91 - 180 days	**248,770**	630,296
181 - 360 days	**62,000**	59,704
	662,000	690,000

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	
	2019	2018	**2019**	2018
	'000	*'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
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	**1,492,531**	1,486,396	**148,388**	147,923
Issuance of scrip shares (note)	**53,395**	19,829	**4,698**	1,657
Repurchase of shares	**(15,113)**	(13,694)	**(1,358)**	(1,192)
At end of year	**1,530,813**	1,492,531	**151,728**	148,388

Note: During the year ended 31 December 2019, the Company issued and allotted 53,395,151 new ordinary shares of HK$0.1 each as scrip alternatives for the final dividend for the year ended 31 December 2018.

During the year ended 31 December 2019, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of ordinary shares	Price per share		Aggregate consideration paid	Aggregate consideration paid equivalent to
		Highest	Lowest		
	'000	*HK$*	*HK$*	*HK$'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
September 2019	1,242	2.09	2.07	2,612	2,355
October 2019	6,422	2.10	2.08	13,475	11,503
November 2019	5,421	2.14	2.10	11,628	10,463
December 2019	2,028	2.14	2.11	4,358	3,922
	15,113			32,073	28,243

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, 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 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2019, a slowdown in GDP growth in China and the Sino-US trade dispute added uncertainties to overall economy which provides a challenging environment to tire industry. The on-going internationalization of the tire industry leads to more radial tire production capacities and utilization shifted from China to overseas. As a result, according to 2019 data issued by China Rubber Industry Association, China's tire output increased slightly by 0.6% to approximately 652 million units, of which approximately 616 million were radial tires, representing a year-on-year increase of 1.1% and tire radialization rate increased to 94.5% (2018: 94.0%). Radial tire output for trucks decreased 0.8% to approximately 132 million units while radial tire output for passenger cars increased 1.7% to approximately 484 million units during the year.

However, continuous growth of the car parc in China, the optimization of the logistics network and the development of China's infrastructure ensured stable demand for the replacement of radial tires and radial tire cords. Statistics compiled by China's Ministry of Public Security showed that the car parc in China reached RMB260 million, representing 8.8% growth. The persistent tires replacement demand in China supported the Group to record stable sales figures of radial tire cords.

BUSINESS REVIEW

During the year, the Group was able to lead its market coverage by capitalizing on its extensive business network, conducting in-depth analysis of radial tire cord market trends and setting practical operation approaches based on prevailing market conditions. In 2019, the Group recorded total sales volume of 818,300 tonnes, up 2.2% year-on-year. Sales volume of radial tire cords rose moderately by 1.5% year-on-year to 676,600 tonnes, making up 82.7% of the Group's total sales volume (2018: 83.3%). Sales volume of bead wires and other wires also increased by 5.7% to 141,700 tonnes, and accounted for 17.3% of the Group's total sales volume (2018: 16.7%).

In terms of market segments, the sales volume of radial tire cords for trucks declined modestly by 3.2% to 426,100 tonnes against the corresponding period last year. A drop in sales volume of radial tire cords for trucks which was mainly due to a slight decline in domestic radial tire output. As for the sales volume of radial tire cords for passenger cars, an increase of 10.6% year-on-year to 250,500 tonnes was achieved, mainly due to the continuous rise in overseas orders. This is also a reflection of the widespread recognition that the Xingda brand enjoys from more overseas customers, as well as the confidence that they have owing to the Group's high-quality products.

Sales Volume

	2019 *Tonnes*	2018 *Tonnes*	Change
Radial tire cords	**676,600**	666,600	+1.5%
- For trucks	***426,100***	*440,100*	*-3.2%*
- For passenger cars	***250,500***	*226,500*	*+10.6%*
Bead wires and other wires	**141,700**	134,100	+5.7%
Total	**818,300**	800,700	+2.2%

During the year under review, the sales volume of the Group's radial tire cords in China slightly increased by 0.7% to 501,400 tonnes (2018: 498,100 tonnes) under the overall stable market and orders. Thanks to the Group's efforts in building its reputation and offering excellent products and services, sales of radial tire cords in overseas markets increased by 4.0% year-on-year to 175,200 tonnes (2018: 168,500 tonnes). Orders of related products from overseas markets including Thailand, Brazil, Germany, Slovakia etc also continued to grow steadily. Sales volume in domestic and overseas markets constituted 74.1% and 25.9%, respectively, of the Group's total sales volume of radial tire cords (2018: 74.7% and 25.3%).

As at 31 December 2019, the Group's annual production capacity of radial tire cords rose to 730,500 tonnes, with Jiangsu and Shandong factories accounting for up to 627,000 tonnes and 103,500 tonnes respectively. The Group continued to implement its internationalization strategy and followed the development direction of the "Belt and Road" countries. It has completed plant construction in Thailand and started trial operation. The Thailand plant is expected to be capable of producing 70,000 tonnes of radial tire cords per annum in the second half of year 2020, allowing the Group to diversify geopolitical risks amid the Sino-US trade war. The annual production capacity of bead wires and other wires rose to 170,000 tonnes. Overall capacity utilization rate of the Group's plants further increased to a high level of 91.4% (2018: 90.0%).

	2019 Production Capacity (Tonnes)	**2019 Utilization Rate**	2018 Production Capacity (Tonnes)	2018 Utilization Rate
Radial tire cords	**730,500**	**93%**	728,000	91%
Bead wires and other wires	**170,000**	**84%**	155,000	87%
Overall	**900,500**	**91%**	883,000	90%

To meet different needs and offer customized radial tire cords to customers, the Group has focused on product research and development and technology reforms. Currently, the Group provides a wide range of products, including 368 types of radial tire cords and 156 types of bead wires and other wires.

FINANCIAL REVIEW

Revenue

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

RMB in million

	2019	**Proportion**	2018	Proportion	Change
Radial tire cords	**6,680.7**	**88%**	6,670.2	88%	+0.2%
- For trucks	***4,286.7***	***56%***	*4,488.1*	*59%*	*-4.5%*
- For passenger cars	***2,394.0***	***32%***	*2,182.1*	*29%*	*+9.7%*
Bead wires and other wires	**902.0**	**12%**	888.2	12%	+1.6%
Total	**7,582.7**	**100%**	7,558.4	100%	+0.3%

During the year under review, the Group's revenue slightly increased by 0.3% year-on-year to RMB7,582.7 million (2018: RMB7,558.4 million), mainly due to the growth of sales volume of radial tire cords.

Gross profit and gross profit margin

The Group's gross profit increased by 11.2% year-on-year to RMB1,471.2 million (2018: RMB1,322.5 million), with gross profit margin at 19.4% (2018: 17.5%), 1.9 percentage points higher year-on-year, owing to a decrease in raw material prices and production costs per tonne under higher utilization rate together with the slight increment of sales volume.

Other income

Other income decreased by 7.5% to RMB126.4 million (2018: RMB136.7 million), mainly due to the decrease in waiver of trade payable and sales of scrap materials was partially offset by the increase of bank interest income which derived from placing fixed bank deposits and bank balances.

Government grants

Government grants for the year decreased by 0.7% to RMB13.7 million (2018: RMB13.8 million), due to the decrease in recurring subsidies from the local government.

Distribution and selling expenses

Distribution and selling expenses increased by 6.6% to RMB546.6 million (2018: RMB512.6 million), which was mainly attributable to the higher sales volume and it led to higher costs of transport and storage and tariffs relating to export sales to the United States of America were increased in year 2019 on a year-on-year basis.

Administrative expenses

Administrative expenses increased by 5.6% to RMB382.2 million (2018: RMB361.9 million), mainly due to an increase in overall administrative costs incurred on overseas subsidiaries and pension provision.

Other gain and losses, net

Other gains and losses, net increased by RMB11.9 million or 61.3% from net gain of RMB19.4 million in 2018 to net gain of RMB31.3 million in 2019. It was mainly attributable to the gain on change in fair value of financial assets at fair value through profit or loss of RMB24.4 million which was partially offset by an increase in loss on disposal of property, plant and equipment.

Impairment loss recognised on trade and other receivables

Impairment loss recognised on trade and other receivables increased by RMB10.2 million or 67.5% to RMB25.3 million (2018: RMB15.1 million). It was mainly attributable to certain debts were turned to be long outstanding and aged which were defaulted in repayment in year 2019. Those aged debts were individually impaired as losses for the year ended 31 December 2019.

Research and development expenditure

Research and development expenditure, increased by RMB31.8 million or 42.2% to RMB107.1 million (2018: RMB75.3 million). Because the Group has allocated more resources to boost technology advancement on both production technique and emission reduction as well as developing more new products to meet the needs of customers.

Finance costs

Excluding the capitalized cost of RMB32.3 million (2018: RMB8.9 million) for qualifying assets, finance costs rose by 35.7% to RMB73.0 million (2018: RMB53.8 million). The increase was mainly due to the rise of average balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by 17.4% to RMB130.0 million (2018: RMB110.7 million) and with an effective tax rate is 24.0% (2018: 22.9%). The increase in income tax expense was mainly caused by the increase in withholding tax on earnings distributed by the Group's PRC subsidiaries. If the withholding tax was excluded, the income tax charge would have decreased by RMB32.3 million (2018: RMB16.7 million) and the effective tax rate would become 18.1% (2018: 19.5%). A decrease in effective tax rate was mainly due to the increase in portion of income contributed by a major subsidiary of the Group, Jiangsu Xingda Steel Tyre Cord Co. Ltd., which enjoys a lower income tax rate as compared with other operating subsidiaries of the Group.

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2019 increased by 10.4% to RMB410.7 million (2018: RMB371.9 million).

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 the cash flow generated from operating activities and financing activities whereas the principal uses of cash were for the expansion of production capacity and placement of fixed bank deposits.

Bank balances and cash including bank deposits of the Group decreased by RMB606.5 million from RMB1,104.4 million as at 31 December 2018 to RMB497.9 million as at 31 December 2019. The decrease was mainly due to the cash has been used in investment activities of RMB1,735.9 million exceeding the cash generated from operating activities of RMB508.2 million , financing activities of RMB581.2 million and effect of foreign exchange rate changes of RMB40.0 million.

Borrowings increased by RMB878.5 million or 67.9% to RMB2,172.9 million as at 31 December 2019 from RMB1,294.4 million as at 31 December 2018. The borrowings carried interest at market rates from 2.92% to 5.20% (2018: 2.92% to 4.79%). Borrowings of RMB1,872.9 million are repayable within one year from 31 December 2019 and the remaining borrowings of RMB300.0 million are repayable after one year from 31 December 2019.

As at 31 December 2019, the Group's current assets decreased by 8.4% to RMB6,868.5 million (31 December 2018: RMB7,498.6 million). Current liabilities increased by 12.0% to RMB5,685.9 million (31 December 2018: RMB5,077.8 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.21 times (31 December 2018: 1.48 times). The decrease was mainly caused by the increase of borrowings which are due within one year and a decrease in bank balances and cash. The gearing ratio (being defined as total debts to total assets) as at 31 December 2019 was 15.7% (31 December 2018: 10.1%).

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and Euros. Part of the sales proceeds of 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 2019.

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 any financial derivative instruments to hedge against foreign exchange currency risk during the year 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 year ended 31 December 2019, capital expenditure for property, plant and equipment amounted to RMB1,227.3 million (2018: RMB592.1 million).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had made a capital commitment of approximately RMB350.9 million (31 December 2018: RMB400.9 million) for acquisition of property, plant and equipment 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 as at 31 December 2019 and 31 December 2018 respectively.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019 and 31 December 2018.

PLEDGE OF ASSETS

As at 31 December 2019, the Group did not have pledged bank deposits (31 December 2018: pledge of bank deposits in the amount of RMB52.0 million) to secure bill payables of the Group.

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. 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 RMB24.4 million was recorded during the year ended 31 December 2019 (2018: loss of RMB2.5 million). Save as disclosed above, the Group had no other significant investments for the years ended 31 December 2019 and 2018 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2019, Faith Maple International Ltd. ("Faith Maple"), a direct wholly-owned subsidiary of the Company, has injected a total of RMB689,745,000 in cash to subscribe for 212,229,323 new shares issued by Jiangsu Xingda. Meanwhile, Faith Maple transferred 90% equity interests in Jiangsu Xingda Special Cord Co., Ltd. ("Jiangsu Xingda Special Cord") to Jiangsu Xingda at a consideration of RMB676,345,300 before 31 December 2019. Accordingly, the Group's effective interest in Jiangsu Xingda Special Cord has been decreased from approximately 96.95% to approximately 73.31% whereas the Group's effective interest in Jiangsu Xingda has been increased from approximately 69.54% to approximately 73.31%.

HUMAN RESOURCES

As at 31 December 2019, the Group had approximately 7,000 full time employees (31 December 2018: approximately 6,800). Total staff costs including directors' remuneration for the year ended 31 December 2019 was approximately RMB733.7 million (2018: approximately RMB726.0 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 Labour Union of Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda and Shandong Xingda contributes 2% of the total salary of staff ("Union Fee") to support 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 2019, the amount of Union Fees contributed by Jiangsu Xingda and Shandong Xingda to the Xingda Labour Union was RMB11.6 million (2018: RMB11.1 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 accordance with the provisions of the scheme.

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"). As at 31 December 2019, the balance of the Fourth Batch Shares and Fifth Batch Shares were 6,684,000 shares and 3,824,176 shares respectively.

As at 31 December 2019, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and one-third of the Fourth Batch Shares have been vested with selected employees. Two-third of the Fourth Batch Shares and the Fifth Batch Shares are expected to be vested with selected employees in a five-year period from 2020 to 2024.

PROSPECTS

At the beginning of 2020, the COVID-19 coronavirus outbreak has rapidly spread across the country. In order to contain coronavirus outbreak, the Group responded the call by PRC government on the delay of work resumption after Chinese New Year holiday. Jiangsu Xingda plant and Shandong Xingda plant have resumed production in the second and third week of February, respectively. As of the date of this announcement, both factories operate on the normal level of productivity. The Group expects the epidemic situation will cause uncertainties in global economy but the Group has not been able to assess the financial impact in view of the changing circumstances. The Group will keep close monitoring on the possible impact of the epidemic on the financial position and operating results of the Group, and will make appropriate and feasible measures timely in response to the outbreak.

Xingda will strive to grow stronger and capitalize on trends to move forward in the face of adversity. It will continue to adhere to its development principle of seeking progress while maintaining stability, accurately leverage market conditions, push ahead with its globalization strategy and maintain good cash flow and healthy financial structure, in a bid to respond to uncertainties and challenges in the market.

In view of an acceleration in the internationalization of the tire industry in recent years and the upgrade of the consumer market, the industry has been bolstering production efficiency by increasing automation, informatization and use of smart technologies, as well as through investments in environmental protection. Xingda will keep abreast of developments pertaining to the downstream industry chain products and markets, expedite efforts on technological innovation, keeps on reducing production costs and production capacities utilization on a high level, continuously enhance the quality and output ratio of its products, and establish an overseas production base and marketing network. Furthermore, it will constantly explore new opportunities so that it is equipped to overcome change, as well as meet the demands of radial tire cord customers around the world. Xingda will do its utmost to further reinforce the Group's leading position.

DIVIDEND

The Board has recommended the payment of a final dividend of 15.0 HK cents (approximately RMB13.4 fen) per share for the financial year ended 31 December 2019 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 Friday, 12 June 2020. In addition, the proposed final dividend for the year ended 31 December 2019 is also subject to the condition that the audited annual results of the Group for the year upon completion of the auditing process will be consistent in all material respects with the unaudited annual results set out herein.

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, 26 June 2020. It is expected that the final dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Friday, 24 July 2020.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Wednesday, 3 June 2020, 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 Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 29 May 2020 to Wednesday, 3 June 2020, 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 Wednesday, 3 June 2020, 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 Thursday, 28 May 2020.

The proposed final dividend for the year ended 31 December 2019 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 3 June 2020. The register of members of the Company will be closed from Wednesday, 10 June 2020 to Friday, 12 June 2020, 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 Tuesday, 9 June 2020.

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

For the year ended 31 December 2019, the Company repurchased 15,113,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB28.2 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$	Price per share Lowest HK$	Aggregate consideration paid HK$ Million	Aggregate consideration paid Equivalent to RMB Million
September 2019	1,242,000	2.09	2.07	2.6	2.4
October 2019	6,422,000	2.10	2.08	13.5	11.5
November 2019	5,421,000	2.14	2.10	11.6	10.4
December 2019	2,028,000	2.14	2.11	4.4	3.9
Total	15,113,000			32.1	28.2

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 2019.

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 2019, 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.

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 2019.

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 UNAUDITED ANNUAL STATEMENTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to travel restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak which have affected and delayed the reporting and audit processes of the Group's financial statements for the year ended 31 December 2019. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

AUDIT COMMITTEE

The audit committee of the Company consists of Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, all of whom are the Company's independent non-executive directors. The chairman of the audit committee is Mr. Koo Fook Sun, Louis.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process. The Company expects the auditing process will be completed on or before Friday, 17 April 2020 and in any event not later than Wednesday, 22 April 2020.

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as its auditor for the year ended 31 December 2019. The Company will submit a resolution in the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

PUBLICATION OF 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 of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be dispatched to the shareholders of the Company and made 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 2020.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shanghai, the PRC, 27 March 2020

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.