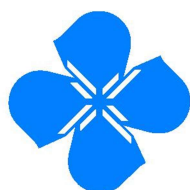


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XINGDA

**兴 达**

**XINGDA INTERNATIONAL HOLDINGS LIMITED**

**興 達 國 際 控 股 有 限 公 司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01899)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b><u>CHANGE</u></b>
	<b>2020</b>	<b>2019</b>	
	<b>(unaudited)</b>	<b>(unaudited)</b>	
	<b><i>RMB in</i></b>	<b><i>RMB in</i></b>	
	<b><i>Million</i></b>	<b><i>Million</i></b>	
Revenue	<b>3,181.3</b>	3,769.2	-15.6%
Gross profit	<b>592.6</b>	724.3	-18.2%
Gross profit margin	<b>18.6%</b>	19.2%	-0.6pp
EBITDA <i>(Note)</i>	<b>498.9</b>	562.1	-11.2%
Profit attributable to owners of the Company	<b>103.8</b>	159.4	-34.9%
Earnings per share – basic (RMB fen)	<b>6.82</b>	10.68	-36.1%
Earnings per share – diluted (RMB fen)	<b>6.78</b>	10.67	-36.5%

*Note:*

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

## INTERIM RESULTS

The board of directors (the “Board”) of Xingda International Holdings Limited (the “Company”) is pleased to announce the condensed consolidated financial statements of the Company and its subsidiaries (the “Group” or “Xingda”) for the six months ended 30 June 2020 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June	
		2020	2019
		(unaudited)	(unaudited)
		RMB'000	RMB'000
Revenue	3	3,181,268	3,769,152
Cost of sales		(2,588,642)	(3,044,896)
Gross profit		592,626	724,256
Other income		71,039	51,310
Government grants		8,839	7,967
Distribution and selling expenses		(223,588)	(266,797)
Administrative expenses		(160,593)	(179,433)
Other gains and losses, net	4	5,648	19,755
Impairment loss recognised on trade and other receivables		(2,208)	(14,118)
Research and development expenditure		(54,587)	(44,677)
Finance costs		(28,761)	(16,862)
Profit before tax		208,415	281,401
Income tax expense	5	(54,553)	(45,860)
Profit for the period	6	153,862	235,541
Other comprehensive expense item that can be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(6,448)	—
Total comprehensive income for the period		147,414	235,541
Profit for the period attributable to:			
Owners of the Company		103,766	159,405
Non-controlling interests		50,096	76,136
		153,862	235,541

Total comprehensive income for the period  
attributable to:

Owners of the Company	<b>97,488</b>	159,405
Non-controlling interests	<b>49,926</b>	76,136
	<b><u>147,414</u></b>	<u>235,541</u>

Earnings per share

8

-Basic (RMB fen)	<b>6.82</b>	10.68
-Diluted (RMB fen)	<b>6.78</b>	10.67

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2020**

	<i>NOTES</i>	As at 30 June 2020 (unaudited) <i>RMB'000</i>	As at 31 December 2019 (audited) <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		4,445,548	4,526,709
Right-of-use assets		389,352	282,349
Freehold land		74,593	74,593
Investment properties		157,040	157,040
Fixed bank deposits with more than three months to maturity when placed		1,700,000	1,430,000
Pledged bank deposits		600,000	420,000
Deferred tax assets		21,406	21,262
Prepayments		25,463	26,963
		<hr/> 7,413,402	<hr/> 6,938,916
<b>CURRENT ASSETS</b>			
Inventories		756,447	671,314
Financial assets at fair value through profit or loss		85,448	84,673
Fixed bank deposits with more than three months to maturity when placed		105,196	12,000
Trade, bill and other receivables	9	4,784,215	5,602,557
Bank balances and cash		649,609	497,912
		<hr/> 6,380,915	<hr/> 6,868,456
<b>CURRENT LIABILITIES</b>			
Trade, bill and other payables	10	2,933,019	3,763,194
Contract liabilities		8,636	5,880
Amount due to a related company		2,635	3,187
Tax liabilities		39,402	40,115
Dividend payable		204,823	—
Dividend payable to non-controlling interests		24,776	—
Borrowings - due within one year		2,520,425	1,872,941
Lease liabilities		461	560
		<hr/> 5,734,177	<hr/> 5,685,877
<b>NET CURRENT ASSETS</b>		<hr/> 646,738	<hr/> 1,182,579
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> 8,060,140	<hr/> 8,121,495

	<i>NOTE</i>	As at <b>30 June</b> <b>2020</b> <b>(unaudited)</b> <i>RMB'000</i>	As at 31 December 2019 (audited) <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		17,879	12,952
Borrowings - due after one year		285,000	300,000
Lease liabilities		1,147	1,239
Government grants		53,109	—
		<hr/>	<hr/>
		<b>357,135</b>	314,191
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>7,703,005</b>	7,807,304
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	151,728	151,728
Share premium and other reserves		5,405,661	5,509,626
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,557,389	5,661,354
Non-controlling interests		2,145,616	2,145,950
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>7,703,005</b>	7,807,304
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	208,415	281,401
Depreciation of property, plant and equipment	257,405	259,958
Depreciation of right-of-use assets	4,298	3,881
Dividend received from financial assets at fair value through profit or loss	(2,177)	(2,516)
Recognition of equity-settled share-based payments	3,370	1,885
(Increase) decrease in inventories	(85,133)	58,845
Decrease in trade, bill and other receivables	807,828	699,585
Change in fair value of financial assets at fair value through profit or loss	(775)	(15,811)
Decrease in trade, bill and other payables	(731,624)	(586,792)
Increase in contract liabilities	2,756	5,679
Income taxes paid	(50,483)	(55,005)
Other operating cash flows	(11,367)	9,919
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>402,513</b>	<b>661,029</b>
	<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>		
Placement of fixed bank deposits	(375,196)	(1,212,000)
Purchases of property, plant and equipment	(266,740)	(514,002)
Placement of pledged bank deposits	(180,000)	—
Payments for right-of-use assets	(60,953)	(21,239)
Receipt of government grants related to property, plant and equipment	53,109	—
Withdrawal of fixed bank deposits	12,000	500,000
Dividend received from financial assets at fair value through profit or loss	2,177	2,516
Interest received	2,037	56,196
Proceeds on disposal of property, plant and equipment	1,380	1,052
Withdrawal of pledged bank deposits	—	52,000
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(812,186)</b>	<b>(1,135,477)</b>
	<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>		
New bank and other borrowings raised	1,590,630	1,530,010
Repayment of bank and other borrowings	(958,146)	(500,620)
Interest paid	(45,306)	(28,519)
Dividend paid to non-controlling interests of a subsidiary	(25,484)	(50,679)
Repayment of lease liabilities	(222)	(108)
	<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>561,472</b>	<b>950,084</b>
	<hr/>	<hr/>

<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>151,799</b>	475,636
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>497,912</b>	1,104,447
Effect of foreign exchange rate changes	<b>(102)</b>	205
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE,</b> represented by bank balances and cash	<b>649,609</b>	1,580,288
	<hr/> <hr/>	<hr/> <hr/>

**NOTES:**

**1. BASIS OF PREPARATION**

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

**1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD**

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group has delayed the resumption of its manufacturing activities after Chinese New Year Holiday to late February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and production volumes and a decline in gross profit margin due to higher fixed production overheads incurred during the close down period.

**2. PRINCIPAL ACCOUNTING POLICIES**

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

Other than additional accounting policies, resulting from application of amendments to International Financial Reporting Standards ("IFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

## **Application of amendments to IFRS Standards**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and, the following amendments to IFRSs issued by the IASB for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendment to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.



### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

##### (a) Disaggregation of revenue

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

	<b>Six months ended</b>	
	<b>30 June 2020</b>	30 June 2019
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
Sale of products		
Radial tire cords		
- For trucks	1,779,817	2,176,090
- For passenger cars	957,490	1,164,123
Bead wires and other wires	443,961	428,939
	<u>3,181,268</u>	<u>3,769,152</u>
<b>Timing of revenue recognition</b>		
A point in time	<u>3,181,268</u>	<u>3,769,152</u>

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.

#### Segment information

The directors of the Company ("the Directors"), 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 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, fixed bank deposits with more than three months to maturity when placed and pledged bank deposits) by geographical locations of the assets are details below:

	<b>30.6.2020</b> <b>(unaudited)</b> <i>RMB'000</i>	31.12 2019 (audited) <i>RMB'000</i>
The PRC	<b>4,034,482</b>	3,979,241
Thailand	<b>1,057,514</b>	1,088,413
	<hr/> <b>5,091,996</b> <hr/>	<hr/> 5,067,654 <hr/>

### Geographical information

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(unaudited)</b>	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC (country of domicile)	<b>2,542,756</b>	2,733,714
Thailand	<b>124,333</b>	127,937
India	<b>90,642</b>	190,098
United States of America	<b>48,314</b>	137,357
Korea	<b>45,131</b>	95,974
Germany	<b>28,254</b>	46,471
Others	<b>301,838</b>	437,601
	<hr/> <b>3,181,268</b> <hr/>	<hr/> 3,769,152 <hr/>

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

No customers contribute over 10% of the total revenue of the Group for the six months ended 30 June 2020 and 2019.

#### 4. OTHER GAINS AND LOSSES, NET

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(unaudited)</b>	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Change in fair value of financial assets at fair value through profit or loss	<b>(775)</b>	(15,811)
Net foreign exchange gain	<b>(6,184)</b>	(5,897)
Loss on disposal of property, plant and equipment	<b>1,311</b>	1,953
	<hr/> <b>(5,648)</b> <hr/>	<hr/> (19,755) <hr/>

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Current tax		
Current period	35,962	42,543
Withholding tax paid	13,808	—
Deferred tax	4,783	3,317
	<u>54,553</u>	<u>45,860</u>

Current tax provision represents provision for PRC Enterprise Income tax ("PRC EIT") which is calculated at the 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 Regulation of 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 six months ended 30 June 2020 and 2019.

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

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

## 6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Depreciation of property, plant and equipment	257,405	259,958
Depreciation of right-of-use assets	4,298	3,881
	<u>261,703</u>	<u>263,839</u>

## 7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Dividend for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend in respect of the year ended 31 December 2019 - 15.0 HK cents per share (2019: final dividend in respect of the year ended 31 December 2018 - 15.0 HK cents per share)	<b>204,823</b>	197,077

During the current interim period, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB204,823,000 for the year ended 31 December 2019 was approved at the annual general meeting of the Company held on 17 June 2020.

The Directors have determined that no dividend will be paid in respect of the 2020 interim period (2019: nil).

## 8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<b>103,766</b>	159,405
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,522,044</b>	1,492,531
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<b>8,522</b>	1,346
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,530,566</b>	1,493,877

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

## 9. TRADE, BILL AND OTHER RECEIVABLES

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

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.

	As at <b>30 June</b> <b>2020</b> <b>(unaudited)</b> <b>RMB'000</b>	As at 31 December 2019 (audited) RMB'000
Trade receivables - goods	<b>2,360,376</b>	2,578,386
Less: Allowance for credit losses	<b>(136,026)</b>	(135,768)
	<b>2,224,350</b>	2,442,618
Bill receivables	<b>2,289,980</b>	2,974,538
Less: Allowance for credit losses	<b>(1,950)</b>	—
	<b>2,288,030</b>	2,974,538
	<b>4,512,380</b>	5,417,156
Advance to raw material suppliers	<b>113,738</b>	15,289
Prepayment for spools	<b>11,157</b>	12,251
Interest receivables from fixed bank deposits with more than three months to maturity when placed	<b>87,550</b>	44,992
Deposits paid for acquiring land use rights	—	50,346
Value-add tax receivable	<b>39,484</b>	42,601
Other receivables and prepayments	<b>25,168</b>	25,184
Less: Allowance for credit losses on other receivables	<b>(5,262)</b>	(5,262)
	<b>271,835</b>	185,401
	<b>4,784,215</b>	5,602,557

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.

	As at <b>30 June</b> <b>2020</b> <b>(unaudited)</b> <i>RMB'000</i>	As at 31 December 2019 (audited) <i>RMB'000</i>
Trade receivables		
0 - 90 days	<b>1,725,089</b>	1,802,754
91 - 120 days	<b>246,883</b>	229,645
121 - 180 days	<b>156,426</b>	260,119
181 - 360 days	<b>95,952</b>	150,100
	<hr/> <b>2,224,350</b> <hr/>	<hr/> 2,442,618 <hr/>
Bill receivables		
0 - 90 days	<b>436,094</b>	362,678
91 - 180 days	<b>738,799</b>	1,036,660
181 - 360 days	<b>1,102,797</b>	1,418,944
Over 360 days	<b>10,340</b>	156,256
	<hr/> <b>2,288,030</b> <hr/>	<hr/> 2,974,538 <hr/>

#### 10. TRADE, BILL AND OTHER PAYABLES

	As at <b>30 June</b> <b>2020</b> <b>(unaudited)</b> <i>RMB'000</i>	As at 31 December 2019 (audited) <i>RMB'000</i>
Trade payables	<b>1,336,982</b>	2,151,758
Bill payables	<b>806,000</b>	662,000
	<hr/> <b>2,142,982</b> <hr/>	<hr/> 2,813,758 <hr/>
Value-added tax payables and other tax payables	<b>12,945</b>	34,912
Accrued staff costs and pension	<b>169,818</b>	225,469
Payables for purchase of property, plant and equipment	<b>488,684</b>	587,105
Accrued interest expense	<b>3,884</b>	2,930
Accrued electricity charges	<b>52,738</b>	55,400
Accrued sewage expenses	<b>18,287</b>	12,941
Others	<b>43,681</b>	30,679
	<hr/> <b>790,037</b> <hr/>	<hr/> 949,436 <hr/>
	<hr/> <b>2,933,019</b> <hr/>	<hr/> 3,763,194 <hr/>

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

	As at <b>30 June</b> <b>2020</b> <b>(unaudited)</b> <b>RMB'000</b>	As at 31 December 2019 (audited) RMB'000
Trade payables		
0 - 90 days	<b>554,115</b>	1,501,132
91 - 180 days	<b>194,230</b>	277,044
181 - 360 days	<b>421,700</b>	286,656
Over 360 days	<b>166,937</b>	86,926
	<b>1,336,982</b>	2,151,758
Bill payables		
0 - 90 days	<b>770,000</b>	351,230
91 - 180 days	—	248,770
181 - 360 days	<b>36,000</b>	62,000
	<b>806,000</b>	662,000

The average credit period on purchase of goods is 90 days which may be extended to 120 days or 180 days based on negotiation 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.

## 11. SHARE CAPITAL

	<u>Number of shares</u>		<u>Share capital</u>	
	<b>30 June</b> <b>2020</b> <b>'000</b>	31 December 2019 '000	<b>30 June</b> <b>2020</b> <b>RMB'000</b>	31 December 2019 RMB'000
Authorised:				
3 billion ordinary shares of HK\$0.1 each	<b>3,000,000</b>	3,000,000	<b>301,410</b>	301,410
Issued and fully paid:				
At beginning of period	<b>1,530,813</b>	1,492,531	<b>151,728</b>	148,388
Issue of scrip shares	—	53,395	—	4,698
Repurchase of shares	—	(15,113)	—	(1,358)
At end of period	<b>1,530,813</b>	1,530,813	<b>151,728</b>	151,728

## MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited (“Company”) and its subsidiaries (together the “Group” or “Xingda”) are pleased to present the unaudited interim results for the six months ended 30 June 2020.

For the six months ended 30 June 2020, the Group recorded revenue amounting to RMB3,181.3 million, representing a 15.6% year-on-year decrease (first half of 2019: RMB3,769.2 million). Gross profit declined by 18.2% year-on-year to RMB592.6 million (first half of 2019: RMB724.3 million), while gross profit margin also contracted by 0.6 percentage point to 18.6% as compared with the last corresponding period (first half of 2019: 19.2%). Profit attributable to owners of the Company fell by 34.9% year-on-year to RMB103.8 million (first half of 2019: RMB159.4 million). Basic earnings per share was RMB6.82 fen (first half of 2019: 10.68 fen). The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

In the first half of 2020, the outbreak of COVID-19 subsequently spread around the world. All businesses and factories across China suspended operations at the beginning of the year in an effort to fight the pandemic. Correspondingly, all commercial activities were halted temporarily. Impacted by the unstable market conditions and COVID-19, the global economy was inevitably affected. Under such circumstance, the Chinese government responded promptly, launching a series of economic stimulus measures, as well as supportive policies of which included the reduction and exemption of taxes and tariffs and the development of new infrastructure. With these measures in place, the country’s economy successfully recovered and achieved a growth in the second quarter of 2020. Consequently, the radial tire cord industry managed to maintain stable development.

With COVID-19 under control in mainland China, the Group resumed operations during mid to late February, after halting production for around four to five weeks at the beginning of the year. Thus, the Group’s operating activities, such as manufacturing and sales, returned to normal. During the period, by leveraging its competitive advantages as leader and industry guardian, Xingda quickly resumed operation and production activities, and was able to maintain stable business performance after the resumption of production.

According to data from China Rubber Industry Association, the 38 key member units of its tire division recorded total domestic radial tire output of approximately 197 million in the first half of 2020, representing a year-on-year decrease of 9.9%. As for the radialization rate, it remained stable at 94.3%. The decline of radial tire output was mainly due to the temporary production suspension of the tire manufacturers in China in certain times of February resulting from COVID-19.



## BUSINESS REVIEW

In the first half of 2020, Xingda adhered to its operating philosophy of vigilance while preserving its financial strengths. With its competitive advantages as an industry leader and supported by its healthy financial structure and high-quality products, the Group strived to achieve a steady business performance despite the effect from pandemic. In the first half of 2020, the Group recorded total sales volume of 366,100 tonnes, down 9.5% year-on-year. Sales volume of radial tire cords decreased by 13.5% year-on-year to 292,600 tonnes, and accounted for 79.9% of the Group's total sales volume (first half of 2019: 83.6%). Sales volume of bead wire and other wire increased by 10.7% to 73,500 tonnes, and accounted for 20.1% of the Group's total sales volume (first half of 2019: 16.4%).

During the period, since the Group's total production volume was affected by the temporary operation shut down in February 2020, the Group recorded a drop in sales volume of radial tire cords for both trucks and passenger cars. Sales volume of radial tire cords for trucks declined by 14.1% year-on-year to 186,100 tonnes. Sales volume of radial tire cords for passenger cars fell by 12.4% to 106,500 tonnes. Sales volume of radial tire cords for trucks and passenger cars accounted for 63.6% and 36.4% of total sales volume of the Group's radial tire cords respectively during the period (first half of 2019: 64.0% and 36.0%).

### Sales Volume

	Six months ended 30 June		Change
	2020 <i>Tonnes</i>	2019 <i>Tonnes</i>	
Radial tire cords	<b>292,600</b>	338,200	-13.5%
- For trucks	<b>186,100</b>	216,600	-14.1%
- For passenger cars	<b>106,500</b>	121,600	-12.4%
Bead wires and other wires	<b>73,500</b>	66,400	+10.7%
Total	<b>366,100</b>	404,600	-9.5%

In the first half of 2020, the sales volume of the Group's radial tire cords in China declined by 5.1% to 236,400 tonnes (first half of 2019: 249,100 tonnes). Around March 2020, COVID-19 pandemic started to affect the world. Under the circumstances, the production schedule and raw materials procurement plan of overseas tire manufacturers were deferred. As a result, sales of radial tire cords in the overseas markets decreased by 36.9% year-on-year to 56,200 tonnes during the period (2019: 89,100 tonnes). Sales volume in the domestic and overseas markets constituted 80.8% and 19.2%, respectively, of the Group's total sales volume of radial tire cords (first half of 2019: 73.6% and 26.4%).

As at 30 June 2020, the Group's annual production capacity of radial tire cords increased modestly to 743,000 tonnes, with the Jiangsu and Shandong factories accounting for up to 628,500 tonnes and 103,500 tonnes respectively. In addition, the Group's factory in Thailand has commenced trial production and the annual production capacity of radial tire cords was 11,000 tonnes by the end of the first half of 2020, allowing the Group to diversify geopolitical risks amid trade disputes. For bead wires and other wires, annual production capacity increased to 189,000 tonnes. The Group's overall capacity utilization rate dropped to 79.2% (first half of 2019: 90.2%).

	<b>30 June 2020 Production Capacity (Tonnes)</b>	<b>Six months ended 30 June 2020 Utilization Rate</b>	30 June 2019 Production Capacity (Tonnes)	Six months ended 30 June 2019 Utilization Rate
Radial tire cords	<b>743,000</b>	<b>80%</b>	728,000	92%
Bead wires and other wires	<b>189,000</b>	<b>77%</b>	165,000	81%
Overall	<b>932,000</b>	<b>79%</b>	893,000	90%

While continuously expanding its production capacity and business presence, the Group has placed great emphasis on production technology reform. Consequently, the Group is devoted to product research and development so as to offer customized radial tire cords to customers and to meet the needs of different tiers of customers. Currently, the Group provides a wide range of products, including 379 types of radial tire cords and 168 types of bead wires and other wires.

## FINANCIAL REVIEW

### Revenue

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

<i>RMB in million</i>	<b>Six months ended 30 June</b>				
	<b>2020</b>	<b>Proportion</b>	<b>2019</b>	<b>Proportion</b>	<b>Change</b>
		<b>(%)</b>		<b>(%)</b>	<b>(%)</b>
Radial tire cords	<b>2,737.3</b>	<b>86</b>	3,340.2	89	-18.0
- <i>For trucks</i>	<b>1,779.8</b>	<b>56</b>	2,176.1	58	-18.2
- <i>For passenger cars</i>	<b>957.5</b>	<b>30</b>	1,164.1	31	-17.8
Bead wires and other wires	<b>444.0</b>	<b>14</b>	429.0	11	+3.5
Total	<b>3,181.3</b>	<b>100</b>	3,769.2	100	-15.6

During the review period, the Group's revenue declined by 15.6% year-on-year to RMB3,181.3 million (first half of 2019: RMB3,769.2 million), mainly due to lower sales volume of radial tire cords under the effect of COVID-19.

### Gross profit and gross profit margin

The Group's gross profit contracted by 18.2% year-on-year to RMB592.6 million (first half of 2019: RMB724.3 million), with gross profit margin at 18.6% (first half of 2019: 19.2%), representing a year-on-year drop of 0.6 percentage point. This was mainly due to higher fixed production costs per tonne under lower utilization rate recorded in the first quarter of 2020.

### Other income

Other income increased by 38.4% to RMB71.0 million (first half of 2019: RMB51.3 million), mainly due to the increase of bank interest income which was derived from placing fixed bank deposits and bank balances.

### Government grants

During the review period, government grants increased by 10.0% to RMB8.8 million (first half of 2019: RMB8.0 million) due to an increase in recurring subsidies from the local government.

### Distribution and selling expenses

Distribution and selling expenses decreased by 16.2% to RMB223.6 million (first half of 2019: RMB266.8 million). The decrease was mainly attributable to a decrease of transportation and storage costs under lower sales volume.

### **Administrative expenses**

Administrative expenses decreased by 10.5% to RMB160.6 million (first half of 2019: RMB179.4 million), mainly attributable to a decrease in salaries and pension provision.

### **Other gains and losses, net**

Other gains and losses, net decreased by RMB14.2 million or 71.7% from net gain of RMB19.8 million in the first half of 2019 to net gain of RMB5.6 million in the first half of 2020. It was mainly due to the decrease in gain on change in fair value of financial assets at fair value through profit or loss.

### **Impairment loss recognised on trade and other receivables**

Impairment loss on trade and other receivables decreased by 84.4% to RMB2.2 million (first half of 2019: RMB14.1 million), mainly attributable to strict trading debts management.

### **Research and development expenses**

Research and development expenses increased by 22.1% to RMB54.6 million (first half of 2019: RMB44.7 million), as the Group kept on putting resources to boost technology advancement on production technique, automation and emission reduction as well as developing more new products to meet the needs of customers.

### **Finance costs**

Finance costs rose by 65.9% to RMB46.3 million (first half of 2019: RMB27.9 million) if the amount capitalised in the cost of qualifying assets of RMB17.5 million (first half of 2019: RMB11.0 million) in the first half of 2020 was excluded. 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 RMB8.7 million or 19.0% to RMB54.6 million (first half of 2019: RMB45.9 million) with an effective tax rate of 26.2% (first half of 2019: 16.3%). The increase in income tax expense was mainly caused by the withholding tax on earnings distributed by the Group's PRC subsidiaries amounting to RMB13.8 million and deferred tax charges related to the provision of withholding tax amounting to RMB5.0 million respectively (first half of 2019: nil). If the above total of withholding tax and deferred tax of RMB18.8 million were excluded, the income tax charge would have dropped to RMB35.8 million (first half of 2019: RMB45.9 million) and the effective tax rate would become 17.2% (first half of 2019: 16.3%).

## Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2020 decreased by 34.6% to RMB153.9 million (first half of 2019: RMB235.5 million). If the change in fair value of financial assets at fair value through profit or loss, deferred tax charges related to provision of withholding tax from non-operating activities and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the six months ended 30 June 2020 would be RMB158.1 million, representing a decrease of RMB61.9 million or 28.1% when compared with the same period in the previous year.

## Reconciliation of report profit and underlying profit

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	153,862	235,541
Change in fair value of financial assets at fair value through profit or loss	(775)	(15,811)
Deferred tax charges related to the provision of withholding tax	5,000	—
Net exchange loss arising from non-operating activities	—	294
Underlying profit for the period	<u>158,087</u>	<u>220,024</u>
Underlying profit for the period attributable to:		
Owners of the Company	107,991	143,888
Non-controlling interests	50,096	76,136
	<u>158,087</u>	<u>220,024</u>

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the period, 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 and financial activities whereas the principal uses of cash were for placement of fixed bank deposits and the expansion of production capacity.

Bank balances and cash including bank deposits of the Group increased by RMB151.7 million from RMB497.9 million as at 31 December 2019 to RMB649.6 million as at 30 June 2020. The increase was due to the cash generated from operating activities of RMB402.5 million and from financing activities of RMB561.5 million, exceeding the cash used in investment activities of RMB812.2 million and the decrease in cash under the effect of foreign exchange rate changes of RMB0.1 million.

Borrowings increased by RMB632.5 million or 29.1% to RMB2,805.4 million as at 30 June 2020 from RMB2,172.9 million as at 31 December 2019. The bank borrowings carry interest at market rates from 2.64% to 4.79% (first half of 2019: 2.92% to 5.36%). Borrowings of RMB2,520.4 million are repayable within one year from 30 June 2020 and the remaining borrowings of RMB285.0 million are repayable after one year from 30 June 2020.

As at 30 June 2020, the Group's current assets decreased by 7.1% to RMB6,380.9 million (31 December 2019: RMB6,868.5 million). Current liabilities increased by 0.8% to RMB5,734.2 million (31 December 2019: RMB5,685.9 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.11 times (31 December 2019: 1.21 times). The decrease was mainly caused by the decrease in trade, bill and other receivables and the increase in borrowings - due within one year. The gearing ratio (being defined as total debts to total assets) as at 30 June 2020 was 20.3% (31 December 2019: 15.7%).

## **FOREIGN EXCHANGE RISK**

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

Apart from certain bank and debtors' balances in US dollars, 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 period under review. However, the Group is closely monitoring the impact of change in value of the Renminbi on its operations and may consider appropriate hedging solutions, if required.

## **CAPITAL EXPENDITURE**

For the six months ended 30 June 2020, capital expenditure for property, plant and equipment amounted to RMB185.8 million (first half of 2019: RMB735.9 million).

## **CAPITAL COMMITMENTS**

As at 30 June 2020, the Group had made a capital commitment of approximately RMB318.4 million (31 December 2019: RMB350.9 million) for acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted as at 30 June 2020 and 31 December 2019.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 30 June 2020 and 31 December 2019 respectively.

## **PLEDGE OF ASSETS**

As at 30 June 2020, the Group had fixed bank deposits of RMB600.0 million (31 December 2019: RMB420.0 million) pledged to banks to secure bank borrowings.

## **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 RMB0.8 million was recorded during the six months ended 30 June 2020 (first half of 2019: gain of RMB15.8 million). Save as disclosed above, the Group had no other significant investments for the six months ended 30 June 2020 and 2019 respectively.

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

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the six months ended 30 June 2020 and 2019 respectively.

## **HUMAN RESOURCES**

As at 30 June 2020, the Group had approximately 6,700 full time employees (31 December 2019: approximately 7,200). Total staff costs including directors’ remuneration for the six months ended 30 June 2020 was approximately RMB327.7 million (first half of 2019: RMB364.4 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 Steel Tyre Cord Co., Ltd. (“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 six months ended 30 June 2020, the amount of Union Fees contributed by Jiangsu Xingda and Shandong Xingda to the Xingda Labour Union was RMB4.3 million (first half of 2019: RMB5.7 million).

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

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



In 2010, 5,000,000 shares of the Company (the “First Batch Shares”) were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the “Second Batch Shares”) were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the “Third Batch Shares”). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the “Fourth Batch Shares”). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2019, 418,899 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. Meanwhile, 4,900,000 shares of the Company were purchased by the trustee on the public market, of which 1,075,824 shares were added to the Fourth Batch Shares and the remaining 3,824,176 shares as the Fifth Batch Shares (the “Fifth Batch Shares”). As at 30 June 2020, the balance of the Fourth Batch Shares and Fifth Batch Shares were 3,368,000 shares and 3,708,176 shares respectively.

As at 30 June 2020, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and two-third of Fourth Batch Shares have been vested with selected employees. One-third of the Fourth Batch Shares and the Fifth Batch Shares are expected to be vested with selected employees in a four-year period from 2021 to 2024.

## **PROSPECTS**

In late 2019, the COVID-19 outbreak impacted the economy of China and the global economy. Moreover, the pandemic not only affected economic development around the world, but also introduced uncertainty to the capital market. To alleviate the negative impact of the pandemic on the operating environment, the Chinese government launched a series of stimulus measures. This included new infrastructure projects in 20 provinces and cities across China that will be implemented in the coming five years via investments amounting to of over RMB17 trillion. These measures are set to drive future economic growth amid the challenging times.

To complement the recovery of the domestic economy, China has continued to execute policies aimed at controlling the overcapacity of trucks and accelerating the replacement of such vehicles. Backed by strong support from the country, new infrastructure projects have achieved tremendous progress in various provinces and cities, further stimulating demand for radial tire cords. As a leading producer of such cords, the Group is determined to make continuous improvements even in the face of adversity, adhere to a timely and practical operation approach and seize opportunities that arise from the crisis.

Looking ahead, the Group will continue to closely monitor the pandemic's development and alleviate its negative impact on the Group's operating results and financial position. It will also adjust its strategies based on prevailing market conditions so as to sustain the Group's stable growth. Operating in an unfavorable environment, the Group will push ahead with achieving an international operation layout, place high importance on product quality and develop advanced products in order to maintain a healthy financial structure and create long-term satisfactory returns for the Group and its shareholders.

The epidemic in China had been brought under control steadily since March 2020. GDP recorded 3.2% growth year-on-year in the second quarter, which indicated that the economy had stabilized and was back on course to growth. The recovery will therefore create favorable conditions for local infrastructure and logistics activities in the second half of the year, which in turn will benefit the development of the tire and radial tire industries.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

## **CORPORATE GOVERNANCE PRACTICES**

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

The Company has applied the principles in and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") throughout the six months ended 30 June 2020, except for the following:-

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

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Audit Committee of the Company together with the external auditor and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2020.

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

Shanghai, the PRC, 21 August 2020

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