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## **Xiezhong International Holdings Limited**

**協眾國際控股有限公司**

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

**(Stock code: 3663)**

### **PROFIT WARNING**

This announcement is made by Xiezhong International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Reference is also made to (i) the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”); and (iii) the announcement of the Company dated 29 October 2019 (the “**Announcement**”) in relation to further information in supplement to the 2019 Interim Report.

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review of the unaudited financial information of the Group for year ended 31 December 2019 (the “**Year**”) and information currently available to the Board, the Group is expected to record a net loss of the Group of not less than RMB173.0 million for the Year, representing an increase in loss of approximately 10.2 times as compared to the loss of approximately RMB15.4 million for the year ended 31 December 2018.

Based on information currently available to the Board, the expected loss for the Year was mainly attributable to (1) the provisions for doubtful debts of trade and other receivables and the write-down of inventory and the impairment losses of fixed assets and intangible assets, which were caused by the increased credit risks of BAIC Yinxiang Automobile Co., Ltd (“**Yinxiang**”), a customer of the Group, and other customers (the “**Other Increased-credit-risks Customers**”) of the Group, which, amongst others, comprise of the Other Customers as mentioned in the Announcement; (2) a loss on fair value changes of

financial instruments measured at fair value through profit and loss (the “**Loss on Fair Value**”); and (3) a loss from the operation (the “**Loss from Morocco’s Operation**”) of the plant in Morocco (the “**Morocco Plant**”). Based on the currently available information, (i) the provisions for doubtful debts; (ii) inventory write-down; (iii) impairment loss of fixed assets; and (iv) impairment loss of intangible assets caused by Yinxiang for the Year were approximately RMB56.2 million, RMB9.0 million, RMB11.1 million and RMB1.9 million, respectively, whilst not less than RMB18.5 million, RMB14.6 million, RMB13.1 million and RMB8.6 million were caused by the Other Increased-credit-risks Customers for the Year, respectively. The provisions and impairment losses on Yinxiang for the Year were similar to those for the six months ended 30 June 2019 as the Group has since then ceased its supply to Yinxiang. Further details of the provisions and impairment losses of Yinxiang are set out in pages 6 to 8 of the 2019 Interim Report. For details of the increased credit risks of Yinxiang and the Other Customers (as mentioned in the Announcement), and the relevant safeguards recently imposed by the Group against the write-down of inventory, and the impairment losses of fixed assets and intangible assets in relation to its customers (including Yinxiang), please refer to pages 9 to 10 of the 2019 Interim Report and the Announcement. The Group will continue to implement stringent credit control measures on HVAC business as mentioned in the Announcement.

According to the currently available information, the Loss on Fair Value for the Year was estimated to be increased to not less than RMB54.7 million from the Loss on Fair Value for the six months ended 30 June 2019 of approximately RMB52.3 million, the further details of which are set out in pages 11 to 15 of the 2019 Interim Report.

Based on the currently available information to the Board, the Loss from Morocco’s Operation for the Year was approximately RMB32.3 million, representing an increase of 375% as compared to the Loss from Morocco’s Operation of approximately RMB6.8 million for the year ended 31 December 2018. As mentioned in page 12 of the 2017 Annual Report, the Morocco Plant has been under construction since the end of 2017, which is established to serve overseas customers in a better manner and expand overseas markets. Among the Loss from Morocco’s Operation for the Year, approximately RMB19.2 million was attributable to the extra cost and fees incurred in engaging a third-party contractor to make good of the shortfall of the production output from the Morocco Plant due to its delay in commencement of production, which commenced full-scale production in November 2019, whilst approximately RMB13.1 million was mainly attributable to interest expenses, loss in foreign exchange and management fee expenses due to the operation of the Morocco Plant.

Further information will be disclosed in the Group’s audited consolidated results for the Year which is expected to be announced by the end of March 2020 in compliance with the Listing Rules (the “**Annual Results Announcement**”) and/or the annual report of the Company for the Year to be published by the end of April 2020 in compliance with the Listing Rules as appropriate.

As at the date of this announcement, the Group is still in the process of finalising its consolidated results for the Year. As such, this announcement is made solely on the basis of the preliminary assessment by the management of the Company with reference to the information currently available to it, including the unaudited management accounts of the Group available for the time being, which have not been audited or reviewed by the Company's auditors, nor confirmed or reviewed by the audit committee of the Board. It is, therefore, subject to further assessment by the management of the Company, finalisation and adjustments (if considered by the management of the Company to be necessary). Shareholders and potential investors of the Company are advised to consider carefully the Annual Results Announcement.

**Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

By order of the Board  
**Xiezhong International Holdings Limited**  
**Chen Cunyou**  
*Chairman*

Hong Kong, 24 January 2020

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chen Cunyou, Mr. Ge Hongbing, Ms. Chen Xiaoting and Mr. Shen Jun; one non-executive Director, namely Mr. Huang Yugang; and four independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Cheung Man Sang, Mr. Zhang Shulin and Mr. Lin Lei.*