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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: 1899)**

**UPDATE OF INTERNAL CONTROL REVIEW  
ON IMPLEMENTATION OF ENHANCED COMPUTERIZED MODULE**

Reference is made to the announcement of Xingda International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 17 January 2022 on the results of internal control review, and the Company’s announcements dated 19 April 2022 and 28 July 2022, respectively, on the update of status of the relevant internal control review (the “**IC Review Status Update Announcements**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the IC Review Status Update Announcements.

The Enhanced Computerized Module has been implemented and being utilized by 江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co. Ltd.)\*(“**Jiangsu Xingda**”) to assist the relevant personnel in the process of recognition of sales and transportation expenses in July 2022.

An independent professional internal control consultant (“**Internal Control Consultant**”) has been engaged to review the enhanced procedures for recognition of sales and transportation expenses adopted by the Group including the implementation and utilization of the Enhanced Computerized Module. As part of the enhanced procedures, the categorization of overseas customers based on the relevant sales model and shipping terms for distinguishing the appropriate timing for recognizing transfer of control over goods has been slightly modified, elaborated and updated to the below:

- (a) **Category I** – where control over the goods is transferred after the shipping company takes over the goods for shipping, which include completion of customs declaration and issuance of bill of lading by the shipping company;

- (b) **Category II** – where control over the goods is transferred after the goods are delivered to and unloaded at the port designated by the customer and delivered to a destination designated by the customer, and after the shipping company confirms that the container containing the goods have been returned after such delivery;
- (c) **Category III** – where control over the goods is transferred after the goods are delivered to and unloaded at the port designated by the customer and after the shipping company confirms that the goods have indeed arrived at such port;
- (d) **Category IV\*** – where the goods were delivered to the Group’s overseas warehouse after the customer makes an order, and the control over the goods is transferred when the customer picks up the goods from the overseas warehouse; and
- (e) **Category V\*** – where the customer will notify the Group of their forecasted demand for procurement in advance, the Group will prepare the goods accordingly and store them at the Group’s overseas warehouse for the customer’s pick up when needed. The control over the goods is transferred when the customer picks up the goods from the overseas warehouse where an order will also be generated.

No deficiency or material inaccuracy has been identified by the Internal Control Consultant for the recognition of sales and transportation expenses by Jiangsu Xingda under the enhanced procedures in respect of sales transactions under Category I. Since (i) there have been no sales transactions under Category IV and Category V in July 2022 and the business cycles for such transactions generally last for two to six months and (ii) the business cycles for sales transactions under Category II and Category III, which could generally last for two to four months, were not completed in July 2022, no effective sampling for review of the sales recognition procedures for such transactions under Category II to Category V could be provided to the Internal Control Consultant.

Also, since there are no sales to overseas customers for 山東興達鋼簾線有限公司 (Shandong Xingda Steel Tyre Cord Co., Ltd.)\* (“**Shandong Xingda**”) and only minimal sales to overseas customers for Xingda Steel Cord (Thailand) Company Limited (“**Thailand Xingda**”), the Enhanced Computerized Module and the upgraded procedure for recognition of sales and transportation expenses have not been implemented for Shandong Xingda or Thailand Xingda. The Internal Control Consultant has carried out review on the existing procedures for recognition of sales and transportation expenses for Shandong Xingda, and on the implementation of the enhanced procedures for recognition of sales and transportation expenses for Thailand Xingda nonetheless and no deficiency or material inaccuracy has been identified. Taking into account that (i) the Internal Control Consultant has found no deficiency or material inaccuracy in the recognition of sales and transportation expenses, (ii) there are no sales to overseas customers for the Shandong Xingda and (iii) the sales to overseas customers by Thailand

\*\* *The only difference between transactions under Category IV and Category V is the difference in price. The timing of sales recognition is the same.*

Xingda for the year ended 31 December 2021 only accounted for around 1% of the Group's total sales, both the audit committee and the board of directors of the Company consider that even without the implementation of the Enhanced Computerized Module by Shandong Xingda and Thailand Xingda, the accuracy of the bookkeeping or fairness of the financial reporting of the Group would still be maintained. Nonetheless, the Group will in any event, from time to time, assess the need and timing for the implementation of the Enhanced Computerized Module for Thailand Xingda to further enhance the efficiency of the financial reporting.

The Internal Control Consultant will further review the enhanced procedures for recognition of sales and transportation expenses for Jiangsu Xingda's sales transactions under Category II to Category V after obtaining effective samples. If effective samples for sales transactions under Category II to Category V could be obtained and provided to the Internal Control by late November 2022 or early December 2022, the result of such review is expected to be published by the end of 2022.

By Order of the Board of  
**Xingda International Holdings Limited**  
**Liu Jinlan**  
*Chairman of the Board*

Shanghai, the PRC, 13 September 2022

*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.*