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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017 (unaudited)	2016 (unaudited)	
	RMB in Million	*RMB in Million*	**CHANGE**
Revenue	**3,215.7**	2,419.7	+32.9%
Gross profit	**717.5**	485.9	+47.7%
Gross profit margin	**22.3%**	20.1%	+2.2pp
EBITDA *(Note 1)*	**641.0**	406.0	+57.9%
Profit attributable to owners of the Company	**212.9**	74.9	+184.2%
Adjusted profit attributable to owners of the Company *(Note 2)*	**217.0**	85.6	+153.5%
Earnings per share - basic (RMB fen)	**14.50**	5.04	+187.7%

	As at		
	30.6.2017 (unaudited)	31.12.2016 (audited)	
Gearing ratio	**8.2%**	8.5%	-0.3pp

Notes:

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

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 2017 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 2017

	NOTES	**Six months ended 30 June**	
		2017	2016
		(unaudited)	(unaudited)
		RMB'000	*RMB'000*
Revenue	3	**3,215,739**	2,419,712
Cost of sales		**(2,498,247)**	(1,933,803)
Gross profit		**717,492**	485,909
Other income		**49,661**	9,660
Other gains and losses, net	4	**(3,421)**	9,358
Government grants		**26,421**	11,968
Distribution and selling expenses		**(231,042)**	(195,196)
Administrative expenses		**(151,642)**	(148,933)
Other expenses		**(30,600)**	(26,137)
Finance costs		**(17,940)**	(10,439)
Profit before tax		**358,929**	136,190
Income tax expense	5	**(70,064)**	(29,309)
Profit and total comprehensive income for the period, net of tax	6	**288,865**	106,881
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**212,887**	74,909
Non-controlling interests		**75,978**	31,972
		288,865	106,881
Earnings per share	8		
Basic (RMB fen)		**14.50**	5.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	NOTES	**As at 30 June 2017 (unaudited)** *RMB'000*	As at 31 December 2016 (audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,813,434**	3,804,440
Prepaid lease payments		**271,710**	275,192
Investment properties		**140,190**	140,190
Fixed bank deposits with more than three months to maturity when placed		**900,000**	900,000
Deferred tax assets		**13,944**	13,813
Prepayments		**66,520**	19,713
		5,205,798	5,153,348
CURRENT ASSETS			
Prepaid lease payments		**6,965**	6,965
Inventories		**740,603**	559,004
Trade and other receivables	9	**2,499,739**	2,260,590
Bill receivables	9	**2,595,039**	2,343,315
Pledged bank deposits		**20,000**	69,500
Bank balances and cash		**650,654**	480,170
		6,513,000	5,719,544
CURRENT LIABILITIES			
Trade and other payables	10	**3,068,445**	2,379,496
Bill payables	10	**100,000**	260,000
Amount due to a related company		**1,758**	3,081
Dividend payables to non-controlling interests of a subsidiary		**26,832**	—
Dividend payables		**197,031**	—
Tax liabilities		**45,450**	42,537
Borrowings - due within one year		**960,109**	922,794
Government grants		**7,000**	7,000
		4,406,625	3,614,908
NET CURRENT ASSETS		**2,106,375**	2,104,636
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,312,173**	7,257,984
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,482**	9,409
NET ASSETS		**7,298,691**	7,248,575

	NOTE	As at 30 June 2017 (unaudited) RMB'000	As at 31 December 2016 (audited) RMB'000
CAPITAL AND RESERVES			
Share capital	11	**146,365**	146,365
Share premium and other reserves		**5,101,763**	5,081,935
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,248,128**	5,228,300
NON-CONTROLLING INTERESTS		**2,050,563**	2,020,275
TOTAL EQUITY		**7,298,691**	7,248,575

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Profit before tax	**358,929**	136,190
Depreciation and amortization	**264,089**	259,351
Increase in inventories	**(181,599)**	(3,523)
Increase in trade and other receivables	**(225,444)**	(135,063)
(Increase) decrease in bill receivables	**(251,724)**	280,493
Increase in trade and other payables	**542,308**	43,697
(Decrease) increase in bill payables	**(160,000)**	300,000
Income taxes paid	**(63,209)**	(46,467)
Other operating cash flows	**(27,714)**	9,161
	255,636	843,839
NET CASH USED IN INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(124,677)**	(144,648)
Placement of pledged bank deposits	**(20,000)**	(60,000)
Prepayment for land use rights	**(13,307)**	—
Withdrawal of pledged bank deposits	**69,500**	—
Interest received	**1,689**	2,834
Proceeds on disposal of property, plant and equipment	**1,527**	1,005
	(85,268)	(200,809)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
New bank and other borrowings raised	**167,983**	302,777
Repayment of bank and other borrowings	**(130,668)**	(288,758)
Dividend paid to non-controlling interests of a subsidiary	**(18,858)**	(17,000)
Interest paid	**(18,341)**	(11,936)
Acquisition of additional non-controlling interests of a subsidiary	—	(117,549)
Dividend paid	—	(124,619)
Capital contribution from non-controlling interests of a subsidiary	—	24,500
Payment for repurchase of ordinary shares	—	(3,635)
	116	(236,220)

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**170,484**	406,810
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**480,170**	733,347
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**650,654**	1,140,157

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "I*nterim 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").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the condensed consolidated financial statements.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of Annual Improvements to IFRSs 2014 - 2016 Cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, but the application is expected to have impact on disclosures in the consolidated financial statements for the year ending 31 December 2017.

3. SEGMENT INFORMATION

The directors of the Company ("Directors"), being the chief operating decision maker of the Group, review revenue analysis by types of products on an annual basis 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 Group's non-current assets (other than deferred tax assets) are located in the PRC.

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Impairment loss recognised on trade receivables	**3,597**	7,411
Net foreign exchange loss (gain)	**345**	(5,404)
Loss on disposal of property, plant and equipment	**591**	3,924
Impairment loss reversed on trade receivables	**(1,112)**	(15,289)
	3,421	(9,358)

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Current tax		
Current period	**65,225**	24,950
Underprovision in prior year	**897**	—
Deferred tax	**3,942**	4,359
	70,064	29,309

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.

Jiangsu Xingda Steel Tyre Cord Co., Ltd. (“Jiangsu Xingda”) renewed its High-tech Enterprise Certificate which expired in 2014 with the relevant authorities issued the High-tech Enterprise Certificate on 6 July 2015. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2015, 2016 and 2017. 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 2017 and 2016, as well as the year ended 31 December 2016.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards at a tax rate of 10%.

In the current interim period, a deferred tax charge of approximately RMB4,146,000 (2016: RMB2,485,000) was provided in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of Jiangsu Xingda Special Cord Co. Ltd., the aggregate amount of taxable temporary differences associated with undistributed earnings of other subsidiaries for which deferred tax liabilities have not been recognised was RMB3,122,800,000 (31 December 2016: RMB2,904,000,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB’000	*RMB’000*
Depreciation of property, plant and equipment	**260,607**	255,869
Amortisation of prepaid lease payments	**3,482**	3,482
Research and development expenditure (included in other expenses)	**30,600**	26,137

7. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	(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 2016 - 15.0 HK cents per share (2016: final dividend in respect of the year ended 31 December 2015 - 10.0 HK cents per share)	**197,031**	124,619

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

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

	Year ended 31.12.2016
	RMB'000
Dividends:	
Cash	141,270
Ordinary share alternative	55,761
	197,031

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company	**212,887**	74,909

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,468,447**	1,487,369

No diluted earnings per share for both six months period ended 30 June 2017 and 2016 were presented as there were no potential ordinary shares outstanding during both periods.

9. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES

The Group allows an average credit period 90 to 120 days to its trade customers.

The following is an aged analysis of trade and bill receivables, net of allowance for doubtful debts, presented based on the invoice dates at the end of the reporting period which approximated the revenue recognition dates:

	As at 30 June 2017 (unaudited) ***RMB'000***	As at 31 December 2016 (audited) *RMB'000*
Trade receivables		
0 - 90 days	**1,847,184**	1,781,427
91 - 120 days	**322,216**	206,899
121 - 180 days	**179,939**	142,588
181 - 360 days	**83,256**	62,906
Over 360 days	**3,694**	2,439
	2,436,289	2,196,259
Advance to raw material suppliers	**4,389**	26,709
Prepayment for spools	**14,736**	11,217
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**28,351**	12,161
Other receivables and prepayments	**21,615**	19,885
Less: Allowance for doubtful debts on other receivables	**(5,641)**	(5,641)
	63,450	64,331
	2,499,739	2,260,590

Bill receivables		
0 - 90 days	**169,472**	184,098
91 - 180 days	**992,947**	1,005,801
181 - 360 days	**1,325,147**	1,042,734
Over 360 days	**107,473**	110,682
	2,595,039	2,343,315

The Group reviewed the recoverability of long aged trade receivables on a case by case basis and an allowance for doubtful debts of approximately RMB3,597,000 (six months ended 30 June 2016: RMB7,411,000) has been recognised for long outstanding trade receivables for the period.

10. TRADE AND OTHER PAYABLES AND BILL PAYABLES

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 30 June 2017 (unaudited) ***RMB'000***	As at 31 December 2016 (audited) *RMB'000*
Trade payables		
0 - 90 days	**1,227,554**	914,592
91 - 180 days	**767,911**	505,626
181 - 360 days	**291,260**	283,275
Over 360 days	**50,560**	77,470
	2,337,285	1,780,963
Value-added tax payable and other tax payables	**57,769**	47,518
Accrued staff costs and pension	**146,422**	215,471
Payables for purchase of property, plant and equipment	**427,276**	280,234
Accrued interest expense	**1,127**	1,528
Accrued electricity charges	**49,732**	9,211
Others	**48,834**	44,571
	731,160	598,533
	3,068,445	2,379,496
Bill payables		
91 - 180 days	**100,000**	260,000

11. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
	'000	*'000*	***RMB'000***	*RMB'000*
Authorised:				
3 billion ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**301,410**	301,410
Issued and fully paid:				
At beginning of period	**1,468,447**	1,487,495	**146,365**	148,014
Repurchase of shares	**—**	(19,048)	**—**	(1,649)
At end of period	**1,468,447**	1,468,447	**146,365**	146,365

MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Xingda") are pleased to present the unaudited interim results for the six months ended 30 June 2017.

In the first half of 2017, driven by both the global economic recovery and the initial effects of China's structural reform, the stabilisation of the Chinese economy commencing in the second half of 2016 continued unabated. A number of macroeconomic indicators have improved and the fundamentals of the economy have been further strengthened. Alongside the macroeconomic environment and the continuously improving efficiency facilitated by the industry consolidation, the development of the radial tire cord industry in China also sustained the upward trend which had started from the second quarter of 2016. Aided by these external economic and industry factors, the Group achieved a good business result in the first half of 2017.

For the six months ended 30 June 2017, the Group's revenue amounted to RMB3,215.7 million, representing a notable growth of 32.9% (first half of 2016: RMB2,419.7 million). The selling price of radial tire cord products rebounded to a reasonable level during the period. As a result, the Group's gross profit rose by 47.7% to RMB717.5 million (first half of 2016: RMB485.9 million). Gross profit margin also increased by 2.2 percentage points to 22.3% when compared to that of the same period last year (first half of 2016: 20.1%). Profit attributable to owners of the Company was RMB212.9 million, representing a year-on-year increase of 184.2% (first half of 2016: RMB74.9 million). Basic earnings per share were RMB14.50 fen, representing a year-on-year increase of 187.7%. The Board does not recommend payment of an interim dividend for the six months ended 30 June 2017.

On 12 June 2017, the Group announced the scrip dividend scheme in relation to the final dividend for the year 2016. The shareholders of the Company were provided with an option to receive an allotment of new shares of HK$0.1 each in the capital of the Company (the "Scrip Shares") in lieu of cash for the 2016 final dividend of 15.0 HK cents per share of the Company ("Share"). The issue price of the Scrip Shares has been determined at HK$2.67 per Share. Under this scheme, the Company's controlling shareholders elected to receive the 2016 final dividend partly in Scrip Shares and partly in cash, and were allotted 6,000,000 Scrip Shares as a result, demonstrating their firm confidence in the course of Xingda's future development. In addition, on 19 April 2017, Mr. Liu Xiang, executive Director of the Company, purchased 400,000 Shares on the Hong Kong Stock Exchange, and such increase in shareholding reflected the management's positive outlook on the Company's prospects.

In the first half of 2017, the economy of China has been steadily developing. Developments in the property, infrastructure investments and logistics industries have been maintained at a high level, which spurred the replacement demand for radial tires. In addition, a series of new policies governing the overrunning and overloading of trucks announced by the Chinese government in the second half of 2016 continued to substantially affect the truck and transport markets, and boosted the demand for new trucks. The factors above have combined to improve the performance indicators of the automobile and tire industries of China and facilitated a marked increase in the orders for radial tire cords across the relevant sectors.

According to the China Association of Automobile Manufacturers, the national sales volume of trucks in China has increased by 22.6% year-on-year to approximately 1.88 million units in the first half of 2017. Demand for new trucks has been increasing, in part thanks to government policies. Sales volume of passenger cars in China declined slightly by 3.2% year-on-year to approximately 5.4 million units. According to the China Rubber Industry Association, the nation's tire output reached 318 million units in the first half of this year, with approximately 297 million units being radial tires, which represented an increase of 16.2% and 18.8% year-on-year respectively. In the first half of 2017, the radialisation rate in China has further increased to 93.4% (first half of 2016: 91.2%), as radial tires have been steadily gaining popularity.

BUSINESS REVIEW

Driven by the gradual recovery of the economy in China, Xingda has captured market opportunities for developing and optimizing its products, as well as expanding its market. The strong momentum starting from the second half of 2016 has continued in the first half of 2017, with the Group recording total sales volume of 353,700 tonnes, representing year-on-year growth of 11.9%. The sales volume of radial tire cords increased by 12.4% year-on-year to 315,400 tonnes, accounting for 89.2% of the Group's total sales volume (first half of 2016: 88.7%). The sales volume of bead wires and other wires was increased by 7.3% to 38,300 tonnes, making up 10.8% of the Group's total sales volume (first half of 2016: 11.3%).

In the first half of 2017, stability in the Chinese economy was mainly reflected in significant investments in the real estate sector, healthy rise in consumption and recovery of imports and exports, which have indirectly boosted the strong growth of the logistics business and thus the sales volume of radial tire cords. Sales volume of radial tire cords for trucks increased year-on-year by 15.8% to 197,300 tonnes; sales volume of radial tire cords for passenger cars also increased, up 7.3% to 118,100 tonnes, which was mainly driven by the growth of sales orders from the overseas market. Sales volume of the two segments accounted for 62.6% and 37.4% respectively of the Group's total sales of radial tire cords (first half of 2016: 60.8% and 39.2%).

Sales Volume

	Six months ended 30 June		
	2017	2016	Change
	Tonnes	*Tonnes*	
Radial tire cords	**315,400**	280,500	+12.4%
- For trucks	***197,300***	*170,400*	*+15.8%*
- For passenger cars	***118,100***	*110,100*	*+7.3%*
Bead wires and other wires	**38,300**	35,700	+7.3%
Total	**353,700**	316,200	+11.9%

During the review period, the Group's domestic sales volume of radial tire cords rose by 11.0% to 243,900 tonnes (first half of 2016: 219,800 tonnes), mainly due to the increase in local demand for radial tire cords for trucks. Sales volume to the overseas market picked up by 17.8% to 71,500 tonnes (first half of 2016: 60,700 tonnes). Sales volume of the domestic and overseas markets constituted 77.3% and 22.7% respectively of the Group's total sales volume of radial tire cords (first half of 2016: 78.4% and 21.6%).

As at 30 June 2017, the Group's annual production capacity of radial tire cords grew to 720,000 tonnes. Annual production capacity at its Jiangsu factory and Shandong factory reached 625,000 tonnes and 95,000 tonnes respectively. Annual production capacity of bead wires and other wires was maintained at 105,000 tonnes. The Group's overall capacity utilization rate continued to improve, achieving a satisfactory level of 89.0% (first half of 2016: 84.2%).

	30 June 2017 Production Capacity (Tonnes)	**Six months ended 30 June 2017 Utilization Rate**	30 June 2016 Production Capacity (Tonnes)	Six months ended 30 June 2016 Utilization Rate
Radial tire cords	**720,000**	**91%**	630,000	87%
Bead wires and other wires	**105,000**	**73%**	105,000	66%
Overall	**825,000**	**89%**	735,000	84%

As at 30 June 2017, the Group offered customers a diverse portfolio of products which included 289 types of radial cords and 91 types of bead wires and other wires.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
RMB in million	**2017**	**Proportion (%)**	2016	Proportion (%)	Change (%)
Radial tire cords	**2,993.8**	**93**	2,233.1	92	+34.1
- *For trucks*	***1,921.4***	***60***	*1,363.1*	*56*	*+41.0*
- *For passenger cars*	***1,072.4***	***33***	*870.0*	*36*	*+23.3*
Bead wires and other wires	**221.9**	**7**	186.6	8	+18.9
Total	**3,215.7**	**100**	2,419.7	100	+32.9

During the review period, the Group's revenue increased year-on-year by 32.9% to RMB3,215.7 million (first half of 2016: RMB 2,419.7 million), mainly due to the moderate increase in average selling price of radial tire cords and rise in sales volume recorded during the review period. The increase in both price and quantity resulted in the rise in revenue.

Gross profit and gross profit margin

The Group's gross profit rose 47.7% year-on-year to RMB717.5 million (first half of 2016: RMB 485.9 million), with gross profit margin at 22.3% (first half of 2016: 20.1%). An improvement in gross profit margin was mainly due to the increase in both average selling price of products and the production capacity utilisation rate during the review period.

Other income

Other income increased by 414.1% to RMB49.7 million (first half of 2016: RMB9.7 million), due to the increase in sales income of scrap materials and the increase in bank interest income derived from placing fixed bank deposits of RMB900.0 million.

Other gains and losses, net

Other gains and losses, net decreased by 136.6% to net other losses of RMB3.4 million (first half of 2016: net other gains of RMB9.4 million) as a result of the decrease in impairment loss reversed on trade receivables.

Government grants

Government grants increased by 120.8% to RMB26.4 million (first half of 2016: 12.0 million), due to the increase in recurring subsidies from the local government.

Distribution and selling expenses

Distribution and selling expenses increased by 18.4% to RMB231.0 million (first half of 2016: RMB195.2 million). The increase was mainly attributable to rising transportation costs under higher sales volume.

Administrative expenses and other expenses

Administrative expenses increased by 1.8% to RMB151.6 million (first half of 2016: RMB148.9 million), mainly attributable to an increase in salaries and pension provision.

Other expenses increased by 17.1% to RMB30.6 million (first half of 2016: RMB26.1 million), attributable to an increase in research and development expenditure.

Finance costs

Finance costs rose by 71.9% to RMB17.9 million (first half of 2016: RMB10.4 million). The increase was mainly due to the rise of average balance of bank borrowings.

Income tax

The Group's income tax charge increased by 139.1% to RMB70.1 million (first half of 2016: RMB29.3 million) and the effective tax rate is 19.5%. The increase in income tax expenses was mainly caused by higher current tax charges as a result of an increment in operating profits.

Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2017 increased by 170.3% to RMB288.9 million (first half of 2016: RMB106.9 million). If the deferred tax charges related to provision of withholding tax and net exchange (gain) loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the six months ended 30 June 2017 would have been RMB292.9 million, representing an increase of RMB175.4 million or 149.2% when compared with the same period in previous year.

Reconciliation of report profit and underlying profit

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Profit for the period	**288,865**	106,881
Deferred tax charges related to the provision of withholding tax	**4,146**	2,485
Net exchange (gain) loss arising from non-operating activities	**(79)**	8,181
Underlying profit for the period	**292,932**	117,547
Underlying profit for the period attributable to:		
Owners of the Company	**216,954**	85,575
Non-controlling interests	**75,978**	31,972
	292,932	117,547

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 expansion of production capacity.

Bank balances and cash including bank deposits of the Group increased by RMB170.5 million from RMB480.2 million as at 31 December 2016 to RMB650.7 million as at 30 June 2017. The increase was due to the cash generated from operating activities of RMB255.7 million and financing activities of RMB0.1 million exceeding the cash used in investment activities of RMB85.3 million.

Borrowings were increased by RMB37.3 million or 4.0% to RMB960.1 million as at 30 June 2017 from RMB922.8 million as at 31 December 2016. The borrowings carried interest at market rates from 1.85% to 5.00% (first half of 2016: 1.08% to 5.60%) and are repayable within one year from 30 June 2017.

As at 30 June 2017, the Group's current assets increased by 13.9% to RMB6,513.0 million (31 December 2016: RMB5,719.5 million). Current liabilities increased by 21.9% to RMB4,406.6 million (31 December 2016: RMB3,614.9 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.48 times (31 December 2016: 1.58 times). The decrease was mainly caused by the increase in trade payables and dividend payables. The gearing ratio (being defined as total debts to total assets) as at 30 June 2017 was 8.2% (31 December 2016: 8.5%).

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in renminbi, US dollars and euros. Part of the sales proceeds in US dollars and euros have been used to purchase imported raw materials in the same currencies, while the exchange rate fluctuation of renminbi did not have a significant adverse effect on the operating results of the Group in the first half of 2017.

Apart from certain bank balances, debtors' balances and bank borrowings 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. During the period under review, exchange rate fluctuation had not caused any material adverse effect on the operation or liquidity of the Group. Therefore, 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 2017, capital expenditure for property, plant and equipment amounted to RMB271.7 million (first half of 2016: RMB148.7 million).

CAPITAL COMMITMENTS

As at 30 June 2017, the Group had made a capital commitment of approximately RMB220.5 million (31 December 2016: RMB136.3 million) for acquisition of property, plant and equipment contracted for but not provided in the 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 2017 and 31 December 2016.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2017 and 31 December 2016 respectively.

PLEDGE OF ASSETS

As at 30 June 2017, the Group pledged bank deposits of RMB20.0 million to a bank to secure bill payables of the Group (31 December 2016: RMB69.5 million).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2017 and 2016 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Jiangsu Xingda Special Cord Co., Ltd., an indirect non wholly-owned subsidiary of the Company, acquired equity interest representing approximately 22.2% of the total paid-up share capital of Shandong Xingda Steel Tyre Cord Co., Ltd., an indirect non wholly-owned subsidiary of the Company, at a total consideration of approximately RMB117.5 million in June 2016.

Saved as disclosed, the Company had no other material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the six months ended 30 June 2017 and 2016 respectively.

HUMAN RESOURCES

As at 30 June 2017, the Group had approximately 7,000 full time employees (31 December 2016: approximately 6,800). Total staff costs including directors' remuneration for the six months ended 30 June 2017 was approximately RMB299.7 million (first half of 2016: approximately RMB241.1 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 Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor 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 2017, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union was RMB4.4 million (first half of 2016: RMB3.9 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”). As at 31 December 2016, the balances of the Third Batch Shares and Fourth Batch Shares were 10,000,000 shares and 7,282,000 shares respectively.

As at 30 June 2017, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. Two-thirds of the Third Batch Shares have been vested with selected employees. The remaining one-third of the Third Batch Shares are expected to be vested with selected employees in 2018. The Fourth Batch Shares are expected to be vested with selected employees in a three year period from 2019 to 2021.

PROSPECTS

The economy of China has been steadily expanding and has achieved a good start in 2017. Along with further implementation of supply-side structural reform, the country continues to optimise its economic structure thereby creating favourable conditions for economic expansion, which in turn has supported the stable development of the macro-economy. On 15 July 2017, the National Financial Work Conference was officially completed. Held every five years, this time the conference has identified three major tasks of the financial sector for the coming five years, namely, to serve the real economy, reduce financial risks and deepen financial reforms, with "stability" as the principal guiding concept in the future. At the same time, China has continued pushing forward important items in its strategic agenda, including setting up the "Xiongan New Area", planning the "Guangdong-Hong Kong-Macao Bay Area", implementing the "1+3+7" new pattern of free trade area and the "One Belt One Road" initiative. All of these strategic schemes have attracted the interest of enterprises in many countries and are likely to boost infrastructure investment, facilitate growth in regional economies, accelerate the opening of markets and extending reforms, hence potentially increasing growth in GDP.

The continued steady performance of the macro-economy has created favourable development conditions for the recovery of the radial tire cord industry. Although the consolidation and elimination of the weaker players continues within the industry, the efforts in optimising the industrial structure have begun to bear fruit. The average selling price of products has gradually stabilised, returning to a reasonable level. Production capacity is further driven by major manufacturers. The positive development trend in the industry looks set to continue in the long term and Xingda, as a leader in the industry, is well-positioned to be the main beneficiary.

Looking ahead, considering the favourable outlook for both macroeconomic and industrial trends, the Group believes its prospects are prudently optimistic. Xingda will adhere to a development strategy that is market-oriented with quality as a priority, and maintains efficient management and governance while continuing to expand prudently. It will continue to increase internal production efficiency, expand the coverage of overseas orders, optimise its financial status, and closely monitor the market in order to capture new development opportunities at the appropriate time. In this way Xingda can further advance on its foundation as the leading radial tire cords manufacturer in China, and make contributions while fulfilling its responsibilities to shareholders, the industry and society alike.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2017.

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 Listing Rules throughout the six months ended 30 June 2017, 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.

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the term of appointment for its non-executive director, Ms. Wu Xiaohui, since she is subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Code provision A.6.7 provides, among other things, that independent non-executive directors and non-executive directors should attend general meetings. Ms. Wu Xiaohui, a non-executive Director, Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 24 May 2017 as they had to attend other meetings or were engaged in other businesses and commitments. However, Ms. Wu, Mr. Koo, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the non-executive Directors and independent non-executive Directors was ensured.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2017.

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 2017.

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 2017.

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

Shanghai, the PRC, 24 August 2017

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 non-executive director of the Company is Ms. WU Xiaohui and the independent non-executive directors of the Company are Mr. KOO Fook Sun, Louis, Mr. William John SHARP and Ms. XU Chunhua.