# 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)

# INTERIM REPORT 2017

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Executive Directors
Mr. LIU Jinlan *(Chairman)*
Mr. LIU Xiang
Mr. TAO Jinxiang
Mr. ZHANG Yuxiao

Non-executive Director
Ms. WU Xiaohui

Independent Non-executive Directors
Mr. KOO Fook Sun, Louis
Mr. William John SHARP *(Vice Chairman)*
Ms. XU Chunhua

## AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis *(Chairman)*
Mr. William John SHARP
Ms. XU Chunhua

## REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Mr. William John SHARP *(Chairman)*
Mr. KOO Fook Sun, Louis

## NOMINATION COMMITTEE

Mr. LIU Jinlan *(Chairman)*
Mr. KOO Fook Sun, Louis
Ms. XU Chunhua

## COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

## AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

## LEGAL ADVISORS

*As to Hong Kong Law:*
Deacons

## AUDITORS

Deloitte Touche Tohmatsu

## INVESTOR RELATIONS

Strategic Financial Relations (China) Limited
Unit 02, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

## REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEAD OFFICE

6th Floor, No. 20, Lane 599
Yunling Road (East)
Putuo District
Shanghai 200062
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit S03, 7/F, Low block
Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Bank of China (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited

## SHARE REGISTRARS AND TRANSFER OFFICES

Principal:
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch:
Boardroom Share Registrars (HK) Limited
31/F., 148 Electric Road
North Point
Hong Kong

## STOCK CODE

01899

## WEBSITE

www.irasia.com/listco/hk/xingda/index.htm

# FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2017** | 2016 | Change |
| | ***RMB in million*** | *RMB in million* | |
| OPERATING RESULTS | | | |
| Revenue | **3,215.7** | 2,419.7 | +32.9% |
| Gross profit | **717.5** | 485.9 | +47.7% |
| EBITDA [(1)] | **641.0** | 406.0 | +57.9% |
| Profit for the period | **288.9** | 106.9 | +170.3% |
| Profit attributable to owners of the Company | **212.9** | 74.9 | +184.2% |
| Earnings per share – basic (RMB fen) | **14.50** | 5.04 | +187.7% |

| | **30.6.2017** | 31.12.2016 | Change |
|---|---|---|---|
| | ***RMB in million*** | *RMB in million* | |
| FINANCIAL POSITION | | | |
| Total assets | **11,718.8** | 10,872.9 | +7.8% |
| Total liabilities | **4,420.1** | 3,624.3 | +22.0% |
| Net assets | **7,298.7** | 7,248.6 | +0.7% |
| Equity attributable to owners of the Company | **5,248.1** | 5,228.3 | +0.4% |

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| KEY RATIOS | | |
| Gross profit margin [(2)] | **22.3%** | 20.1% |
| EBITDA margin [(3)] | **19.9%** | 16.8% |
| Return on equity [(4)] | **4.1%** | 1.5% |

| | **30.6.2017** | 31.12.2016 |
|---|---|---|
| Current ratio [(5)] | **1.48** | 1.58 |
| Gearing ratio [(6)] | **8.2%** | 8.5% |
| Net debts to equity ratio [(7)] | **5.9%** | 8.5% |

*Notes:*

(1) It is arrived at profit for the period before finance costs, income tax expense, depreciation and amortization

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

(4) Profit for the period attributable to owners of the Company divided by equity attributable to owners of the Company.

(5) Current assets divided by current liabilities.

(6) Total debts (bank borrowings) divided by total assets.

(7) Total debts (bank borrowings) less cash and bank balances divided by equity attributable to owners of the Company.

# 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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% |

## BUSINESS REVIEW – *CONTINUED*

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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: RMB2,419.7 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: RMB485.9 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.

## FINANCIAL REVIEW – *CONTINUED*

### 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.

## FINANCIAL REVIEW – *CONTINUED*

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.

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – *CONTINUED*

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 and land use rights 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).

## HUMAN RESOURCES – *CONTINUED*

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.

# OTHER INFORMATION

## INTERIM DIVIDEND

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code"), were as follows:

(1) Long positions in shares, underlying shares and debentures of the Company

| Name of Director | Capacity | Number of ordinary shares | Approximate percentage of issued share capital of the Company as at 30 June 2017 *(note 5)* |
|---|---|---|---|
| Liu Jinlan | Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)* | 599,736,000 | 40.842% |
| Liu Xiang | Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 2)* | 599,736,000 | 40.842% |
| Tao Jinxiang | Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 3)* | 599,736,000 | 40.842% |
| Zhang Yuxiao | Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 4)* | 599,736,000 | 40.842% |
| Koo Fook Sun, Louis | Beneficial owner | 217,000 | 0.015% |
| William John Sharp | Beneficial owner | 217,000 | 0.015% |
| Xu Chunhua | Beneficial owner | 50,000 | 0.003% |

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – *CONTINUED*

### (1) Long positions in shares, underlying shares and debentures of the Company – *continued*

*Notes:*

1. Mr. Liu Jinlan held 17,450,000 shares in his own name as at 30 June 2017. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2017, Great Trade Limited held 238,348,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

2. Mr. Liu Xiang held 3,000,000 shares in his own name as at 30 June 2017. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2017, In-Plus Limited held 135,064,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

3. Mr. Tao Jinxiang held 3,536,000 shares in his own name as at 30 June 2017. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2017, Perfect Sino Limited held 111,229,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

4. Mr. Zhang Yuxiao held 1,533,000 shares in his own name as at 30 June 2017. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2017, Power Aim Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2017, i.e. 1,468,446,693 shares.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – *CONTINUED*

(2) Long position in shares and underlying shares of the associated corporation of the Company

| Name of Director | Capacity | Associated corporation | Number of ordinary shares in Associated corporation | Approximate percentage of registered capital of the associated corporation as at 30 June 2017 |
|---|---|---|---|---|
| Zhang Yuxiao | Beneficial Owner | Jiangsu Xingda Steel Tyre Cord Co., Ltd. | 1,114.50 | 0.000074% |

Save as disclosed above, as at 30 June 2017, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share award scheme for the six months ended 30 June 2017 are set out in note 19 to the condensed consolidated financial statements.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSANT TO PART XV OF THE SFO

As at 30 June 2017, the interests of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in shares and underlying shares of the Company

| **Name of shareholder** | **Capacity** | **Number of ordinary shares** | **Approximate percentage of issued share capital of the Company as at 30 June 2017** *(note 4)* |
|---|---|---|---|
| Great Trade Limited | Beneficial owner | 238,348,000 | 16.23% |
| In-Plus Limited | Beneficial owner | 135,064,000 | 9.20% |
| Perfect Sino Limited | Beneficial owner | 111,229,000 | 7.57% |
| Hang Youming | Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)* | 599,736,000 | 40.84% |
| Lu Guangming George | Interests of controlled corporations *(note 2)* | 83,187,600 | 5.67% |
| E-Star Corporation | Beneficial owner *(note 3)* | 106,649,400 | 7.26% |
| COFCO (BVI) No. 88 Limited | Interest of a controlled corporation *(note 3)* | 106,649,400 | 7.26% |
| COFCO (BVI) Limited | Interest of a controlled corporation *(note 3)* | 106,649,400 | 7.26% |
| COFCO Corporation (formerly known as COFCO Limited) | Interest of a controlled corporation *(note 3)* | 106,649,400 | 7.26% |

# OTHER INFORMATION

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSANT TO PART XV OF THE SFO – *CONTINUED*

### Long positions in shares and underlying shares of the Company – *continued*

*Notes:*

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 10,126,000 shares in his own name as at 30 June 2017. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2017, Wise Creative Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC). As recorded in the register of substantial shareholders maintained by the Company, Surfmax Investments, LLC held 74,907,600 shares in the Company as at 30 June 2017. Mr. Lu Guangming George also legally owned approximately 45.48% of the issued share capital of Win Wide International Ltd., which held 8,280,000 shares in the Company as at 30 June 2017. For the purpose of Part XV of the SFO, Mr. Lu Guangming George was deemed to be interested in the shares held by Surfmax Investments, LLC and Win Wide International Ltd. respectively.

3. COFCO Corporation (formerly known as COFCO Limited) owned 100% of the issued share capital of COFCO (BVI) Limited, which in turn owned 100% of the issued share capital of COFCO (BVI) No. 88 Limited, which in turn owned 100% of the issued share capital of E-Star Corporation. As at 30 June 2017, E-Star Corporation held 106,649,400 shares in the Company. For the purpose of Part XV of the SFO, COFCO Corporation (formerly known as COFCO Limited), COFCO (BVI) Limited and COFCO (BVI) No. 88 Limited are deemed to be interested in the shares in the Company held by E-Star Corporation.

4. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2017, i.e. 1,468,446,693 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 30 June 2017 which are required to be recorded in the register maintained under section 336 of the SFO.

## DEED OF NON-COMPETITION

On 4 December 2006, (i) Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder), (ii) the then Directors, and (iii) the 98 Owners (as defined in the Prospectus) (not being controlling shareholders) (collectively the "Covenantors"), as covenantors, entered into a deed of non-competition ("Non-competition Deed") in favour of the Company pursuant to which each of the Covenantors has undertaken to the Company (for itself and for the benefits of its subsidiaries) that, among other matters, it shall not, and shall procure that his/her/its associates will not, directly or indirectly be interested or involved or engaged in or acquire or hold any right or interest in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business of the Group. Details of the terms of the Non-competition Deed have been set out in the paragraph headed "Deed of non-competition entered into by the controlling shareholder" under the section headed "Controlling shareholder and substantial shareholders" of the Prospectus.

The Company has received the declaration for the six months ended 30 June 2017 from Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder) in respect of their respective compliance with the terms of the Non-competition Deed.

The Directors have confirmed that they have not engaged in any business which competes or is likely to compete with the business of the Group, and the Directors are not aware that any of the Covenantors or their respective associates has engaged in any business which competes or is likely to compete with the business of the Group.

The independent non-executive Directors have reviewed the declaration and are not aware that any of the Covenantors or their respective associates has engaged in any business which competes or is likely to compete with the business of the Group.

## 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.

# OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES – *CONTINUED*

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.

## USE OF PROCEEDS

The net proceeds from the Company's offering of new shares at its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") amounting to approximately HKD1,087 million are intended to be applied for the following purposes:

- approximately HKD550 million is intended for the expansion of the production capacity of the production facilities;
- approximately HKD70 million is intended for the installation of a manufacturing execution system (MES) and logistics management system;
- approximately HKD250 million is intended for implementing the overseas expansion strategies through acquisition of suitable business targets;
- approximately HKD180 million is intended for the set-up of international development departments; and
- the remaining balance of approximately HKD37 million is intended to be used as general working capital.

Up to 30 June 2017, the Group has utilised approximately HKD693 million of the net proceeds and the details are as follows:

| | **Proposed uses of fund as stated in the Prospectus** *HKD'000* | **Actual uses of funds up to 30 June 2017** *HKD'000* | **Balance of net proceeds as at 30 June 2017** *HKD'000* |
|---|---|---|---|
| Expansion of the production capacity of the production facilities | 550,000 | 550,000 | – |
| Installation of a manufacturing execution system (MES) and logistics management system | 70,000 | 17,051 | 52,949 |
| Implementing the overseas expansion strategies through acquisition of suitable business targets | 250,000 | – | 250,000 |
| Set-up of international development departments | 180,000 | 89,358 | 90,642 |
| Working capital | 37,000 | 37,000 | – |
| Total | 1,087,000 | 693,409 | 393,591 |

# OTHER INFORMATION

## USE OF PROCEEDS – *CONTINUED*

The remaining amount of approximately HKD394 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus dated 8 December 2006 (the "Prospectus").

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010 were also placed in short term deposits with licensed banks in Hong Kong. As at 30 June 2017, all the net proceeds were utilised for enhancing the production facilities of a non-wholly owned subsidiary of the Company and financing the working capital.

## AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua. The chairman of the Audit Committee is Mr. Koo Fook Sun, Louis.

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

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**TO THE BOARD OF DIRECTORS OF**
**XINGDA INTERNATIONAL HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
24 August 2017

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

| | | Six months ended 30 June | |
|---|---|---|---|
| | *NOTES* | **2017** | 2016 |
| | | ***(unaudited)*** | *(unaudited)* |
| | | ***RMB'000*** | *RMB'000* |
| Revenue | 4 | **3,215,739** | 2,419,712 |
| Cost of sales | | **(2,498,247)** | (1,933,803) |
| Gross profit | | **717,492** | 485,909 |
| Other income | 5 | **49,661** | 9,660 |
| Other gains and losses, net | 7 | **(3,421)** | 9,358 |
| Government grants | 6 | **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 | 8 | **(70,064)** | (29,309) |
| Profit and total comprehensive income for the period, net of tax | 9 | **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 | 11 | | |
| 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 | 12 | **3,813,434** | 3,804,440 |
| Prepaid lease payments | | **271,710** | 275,192 |
| Investment properties | 12 | **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 | 13 | **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 | 14 | **2,499,739** | 2,260,590 |
| Bill receivables | 14 | **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 | 15 | **3,068,445** | 2,379,496 |
| Bill payables | 15 | **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 | 16 | **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 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2017*

| | NOTE | As at 30 June 2017 (unaudited) RMB'000 | As at 31 December 2016 (audited) RMB'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **13,482** | 9,409 |
| **NET ASSETS** | | **7,298,691** | 7,248,575 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 17 | **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 |

The condensed consolidated financial statements on pages 24 to 44 were approved and authorised for issue by the Board of Directors on 24 August 2017 and are signed on its behalf by:

____________________________ 
**LIU JINLAN**
*DIRECTOR*

____________________________ 
**ZHANG YUXIAO**
*DIRECTOR*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2017*

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Special reserve RMB'000 (Note a) | Capital contribution reserve RMB'000 (Note b) | Statutory common reserve RMB'000 (Note c) | Capital redemption reserve RMB'000 | Retained profits RMB'000 | Shares held under share-award scheme RMB'000 | Awarded shares compensation reserve RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1 January 2016 (audited) | 148,014 | 588,724 | 283,352 | (130,150) | 633,976 | 5,047 | 3,601,103 | (22,934) | 16,898 | 5,124,030 | 2,039,168 | 7,163,198 |
| Profit and total comprehensive income for the period | – | – | – | – | – | – | 74,909 | – | – | 74,909 | 31,972 | 106,881 |
| Dividend recognised as distribution *(note 10)* | – | (124,619) | – | – | – | – | – | – | – | (124,619) | – | (124,619) |
| Dividend to non-controlling interests of a subsidiary | – | – | – | – | – | – | – | – | – | – | (41,000) | (41,000) |
| Recognition of equity-settled share based payments | – | – | – | – | – | – | – | – | 2,667 | 2,667 | – | 2,667 |
| Repurchase of ordinary shares | (208) | (3,427) | – | – | – | 208 | (208) | – | – | (3,635) | – | (3,635) |
| Capital contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | – | 24,500 | 24,500 |
| Acquisition of non-controlling interests in a subsidiary | – | – | 1,774 | – | – | – | – | – | – | 1,774 | (119,323) | (117,549) |
| At 30 June 2016 (unaudited) | 147,806 | 460,678 | 285,126 | (130,150) | 633,976 | 5,255 | 3,675,804 | (22,934) | 19,565 | 5,075,126 | 1,935,317 | 7,010,443 |
| At 1 January 2017 (audited) | **146,365** | **421,822** | **285,126** | **(130,150)** | **666,347** | **6,696** | **3,844,875** | **(36,275)** | **23,494** | **5,228,300** | **2,020,275** | **7,248,575** |
| Profit and total comprehensive income for the period | **–** | **–** | **–** | **–** | **–** | **–** | **212,887** | **–** | **–** | **212,887** | **75,978** | **288,865** |
| Dividend recognised as distribution *(note 10)* | **–** | **(197,031)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(197,031)** | **–** | **(197,031)** |
| Dividend to non-controlling interests of a subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(45,690)** | **(45,690)** |
| Shares vested under the share-award scheme | **–** | **–** | **–** | **–** | **–** | **–** | **2,456** | **16,203** | **(18,659)** | **–** | **–** | **–** |
| Recognition of equity-settled share based payments *(note 19)* | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **3,972** | **3,972** | **–** | **3,972** |
| At 30 June 2017 (unaudited) | **146,365** | **224,791** | **285,126** | **(130,150)** | **666,347** | **6,696** | **4,060,218** | **(20,072)** | **8,807** | **5,248,128** | **2,050,563** | **7,298,691** |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2017*

*Note a:* Special reserve represents (i) the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xinda") at date of acquisition; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and the fair value of consideration paid in relation to the acquisition of the equity interest.

*Note b:* Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.

*Note c:* According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Jiangsu Xingda Special Cord. Co. Ltd., Shanghai Xingda Steel Tyre Cord Co., Ltd., Xingda International (Shanghai) Special Cord Co., Ltd. and Shandong Xingda, they are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2017*

| | NOTE | Six months ended 30 June 2017 (unaudited) RMB'000 | 2016 (unaudited) RMB'000 |
|---|---|---|---|
| **NET CASH FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **358,929** | 136,190 |
| Depreciation and amortisation | | **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 | **(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) |

# 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 FROM (USED IN) FINANCING ACTIVITIES** | | |
| New bank and other borrowings raised | **167,983** | 302,777 |
| Repayments 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 on repurchase of ordinary shares | **–** | (3,635) |
| | **116** | (236,220) |
| 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 |

## 1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Xinghua City, Jiangsu Province, the People's Republic of China (the "PRC").

The condensed consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company and its subsidiaries (the "Group").

The Company is an investment holding company and its subsidiaries are engaged in the manufacture and trading of radial tire cords, bead wires and other wires.

## 2. 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.

## 3. 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.

## 4. SEGMENT INFORMATION

The directors of the Company ("Directors"), being the chief operating decision maker of the Group, 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 Group's non-current assets (other than deferred tax assets) are located in the PRC.

## 5. OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | ***(unaudited)*** | *(unaudited)* |
| | ***RMB'000*** | *RMB'000* |
| Sales of scrap materials | **23,648** | 2,821 |
| Interest income earned on bank balances and bank deposits | **17,879** | 2,834 |
| Rental income from investment properties | **2,516** | 3,010 |
| Less: direct operating expenses incurred for investment properties that generated rental income during the period | **–** | (123) |
| Sundry income | **5,618** | 1,118 |
| | **49,661** | 9,660 |

## 6. GOVERNMENT GRANTS

Government grants represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 and The People's Government of Guangrao County 廣饒縣人民政府 for the development of new products and technology during the six months ended 30 June 2017 and 2016.

For government grants received in the current period where no specific conditions were attached, amounting to approximately RMB26,421,000 (for the six months ended 30 June 2016: RMB11,468,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income when the grants were received.

## 7. 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) |

## 8. 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 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%.

## 8. INCOME TAX EXPENSE – *CONTINUED*

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.

## 9. 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 |

## 10. 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.

## 11. 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.

## 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately RMB2,118,000 (for the six months ended 30 June 2016: RMB4,929,000) for cash proceeds of approximately RMB1,527,000 (for the six months ended 30 June 2016: RMB1,005,000), resulting in a loss on disposal of RMB591,000 (for the six months ended 30 June 2016: RMB3,924,000).

In addition, during the period the Group spent approximately RMB271,719,000 (for the six months ended 30 June 2016: RMB148,678,000) on the construction of its manufacturing plant in the PRC and acquisition of other plant and equipment in order to upgrade its manufacturing capabilities. No borrowing costs has been capitalised in these carrying amounts during the period (for the six months ended 30 June 2016: Nil).

No impairment loss was recognised during the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out on 31 December 2016 by DTZ Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group.

## 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES – *CONTINUED*

The fair value was determined based on the investment approach, where the rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties and, where appropriate, by referencing to the sales of properties with the benefit of vacant possession taking into account the comparable evidence as available in the relevant market. The rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Shanghai and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key inputs used in valuing the investment properties were the market yield 5% (31 December 2016: 5%) and rental. Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

The fair value of investments properties at 30 June 2017 were reassessed by the Group by adopting the direct comparison approach or the income capitalisation approach and with reference to recent transactions for similar premises as far as practicable.

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's investment properties as at the end of the current interim period does not differ significantly from their estimated fair value. Consequently, no gain on fair value changes has been recognised in the current interim period.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2017 are as follows:

| | **Level 3** |
|---|---|
| | *RMB'000* |
| Office premises located in Shanghai | 140,190 |

There were no transfers into or out of Level 3 during the period.

## 13. PREPAYMENTS

The amounts represents (i) prepayment of road maintenance and management fee of RMB37,500,000 (31 December 2016: RMB4,000,000) for a period of 12.66 (2016: 1.33) years. As at 30 June 2017, an amount of RMB3,000,000 (31 December 2016: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as an expenses within twelve months after the reporting date while the remaining RMB34,500,000 (31 December 2016: RMB1,000,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date; and (ii) prepayment for land use rights of approximately RMB32,020,000 (31 December 2016: RMB18,713,000). In September 2016, a sales and purchase agreement was entered between the Group and a land and development company, an independent third party, for acquisition of a certain parcels of land located in Thailand at an aggregate consideration of THB320,000,000 (equivalent to approximately RMB63,000,000). A prepayment of THB65,413,000 (equivalent to approximately RMB13,307,000 (31 December 2016: THB96,000,000 (equivalent to approximately RMB18,713,000)) was paid by the Group during the period while the remaining contractual amount of THB158,587,000 (equivalent to approximately RMB30,980,000) is expected to be fully paid in September 2017 against the transfer of the ownership of the parcels of land. Capital commitment regarding the acquisition is disclosed in note 18.

## 14. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES

The Group allows an average credit period of 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** | As at 31 December 2016 |
|---|---|---|
| | ***(unaudited)*** | *(audited)* |
| | ***RMB'000*** | *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 |
| Advances 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: approximately RMB7,411,000) has been recognised for long outstanding trade receivables for the period.

## 15. 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 payables 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 |

## 16. BORROWINGS

| | **As at 30 June 2017** | As at 31 December 2016 |
|---|---|---|
| | ***(unaudited)*** | *(audited)* |
| | ***RMB'000*** | *RMB'000* |
| Bank loans | **956,809** | 918,894 |
| Other loans | **3,300** | 3,900 |
| | **960,109** | 922,794 |
| Secured | **376,809** | 338,894 |
| Unsecured | **583,300** | 583,900 |
| | **960,109** | 922,794 |

During the current period, the Group borrowed other loans RMB600,000 (for the six months ended 30 June 2016: Nil) from a financial institute in Xinghua City, the PRC, an independent third party, in which the other loans are unsecured, carried interest at a fixed monthly rate of 0.417% and are repayable in one year. The proceeds were used as working capital. The Group also repaid other loans amounting to RMB1,200,000 (for the six months ended 30 June 2016: Nil) during the period.

During the current period, the Group obtained new bank borrowings amounting to RMB167,383,000 (for the six months ended 30 June 2016: RMB302,777,000). The loans carry interest at market rates. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB129,468,000 (for the six months ended 30 June 2016: RMB288,758,000) during the period.

The range of effective interest rates (which are equal to contracted interest rates) on the Group's borrowings are as follows:

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| Effective interest rates: | | |
| Fixed-rate borrowings | **2.65% – 5.00%** | 2.65% – 4.35% |
| Variable-rate borrowings | **1.85% – 3.92%** | 1.88% – 3.92% |

The Company has given corporate guarantee to a bank to obtain certain of the above bank borrowings.

## 17. 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 |

## 18. CAPITAL COMMITMENTS

| | **As at 30 June 2017** | As at 31 December 2016 |
|---|---|---|
| | ***(unaudited)*** | *(audited)* |
| | ***RMB'000*** | *RMB'000* |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | **189,506** | 91,969 |
| Capital expenditure in respect of the acquisition of land use rights contracted for but not provided in the condensed consolidated financial statements | **30,980** | 44,287 |
| | **220,486** | 136,256 |

## 19. SHARE-AWARD SCHEME

The Company's share-award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 4 September 2009 for the primary purpose of providing incentives to the participants of the Scheme (the "Participants") including the Directors and certain employees of the Group, to achieve performance goals which in turn achieve the objectives of increasing the value of the Group and align the interests of Directors and eligible employees directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the Participants in accordance to the rules of the Scheme.

The following table discloses movement in the number of awarded shares outstanding during the current interim period as follows:

| | | Number of shares | |
|---|---|---|---|
| | **Awarded shares granted in 2013** ***(Note 2)*** | **Awarded share granted in 2016** ***(Note 3)*** | **Total** |
| Outstanding as at 1 January 2017 | 10,000,000 | 10,000,000 | 20,000,000 |
| Awarded during the period *(Note 1)* | – | – | – |
| Vested during the period | (6,666,668) | – | (6,666,668) |
| Outstanding as at 30 June 2017 | 3,333,332 | 10,000,000 | 13,333,332 |

*Note 1:* No shares were granted during the period.

*Note 2:* The awarded shares granted in 2013 would be vested over a period of six years from 2013 to 2018. During the period, 6,666,668 shares were vested, the remaining 3,333,332 shares would be vested on 31 March 2018.

*Note 3:* The awarded shares granted in 2016 would be vested in tranches of approximately 3,333,333 shares annually over a period of three years from 2019 to 2021.

The Group recognised the total expense of approximately RMB3,972,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB2,667,000) in relation to shares granted under the Scheme by the Company.

## 20. RELATED PARTY TRANSACTIONS

During the period, the Group entered into significant transactions with a related party as follows:

| Name of related party | Nature of transaction | *Note* | Six months ended 30 June **2017** ***(unaudited)*** ***RMB'000*** | 2016 *(unaudited)* *RMB'000* |
|---|---|---|---|---|
| Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan") | Services fee for hotel and catering services | (a) | **3,677** | 3,198 |

*Note:*

(a) Xingda Xiu Yuan is a limited liability company whose legal representative and general manager is a close family member of the chairman of the Group.

### Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

| | Six months ended 30 June **2017** ***(unaudited)*** ***RMB'000*** | 2016 *(unaudited)* *RMB'000* |
|---|---|---|
| Short-term benefits | **21,965** | 22,424 |
| Post-employment benefit | **37** | 80 |
| Share-based payments | **3,369** | 2,324 |
| | **25,371** | 24,828 |

The remuneration of Directors and key management is determined by the Remuneration and Management Development Committee having regard to the performance of individuals and market trends.