



xineda

**兴 达**

**XINGDA INTERNATIONAL HOLDINGS LIMITED**

**興 達 國 際 控 股 有 限 公 司**

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)

INTERIM REPORT **2016**

# CONTENTS

Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	12
Report on Review of Condensed Consolidated Financial Statements	20
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Condensed Consolidated Statement of Financial Position	22
Condensed Consolidated Statement of Changes in Equity	24
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Financial Statements	28

# 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

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 2402, 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

Suite 1219, 12/F., 100 QRC,

100 Queen's Road Central

Central

Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China

China Construction Bank

Hang Seng Bank Limited

The Hong Kong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

## SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

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](http://www.irasia.com/listco/hk/xingda/index.htm)

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>OPERATING RESULTS</b>			
Revenue	<b>2,419.7</b>	2,446.9	-1.1%
Gross profit	<b>485.9</b>	471.2	+3.1%
EBITDA <sup>(1)</sup>	<b>406.0</b>	506.3	-19.8%
Profit for the period	<b>106.9</b>	204.0	-47.6%
Profit attributable to owners of the Company	<b>74.9</b>	146.7	-48.9%
Earnings per share – basic (RMB fen)	<b>5.04</b>	9.71	-48.1%

	30.6.2016		
	31.12.2015	Change	
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>FINANCIAL POSITION</b>			
Total assets	<b>9,698.0</b>	9,484.3	+2.3%
Total liabilities	<b>2,687.6</b>	2,321.1	+15.8%
Net assets	<b>7,010.4</b>	7,163.2	-2.1%
Equity attributable to owners of the Company	<b>5,075.1</b>	5,124.0	-1.0%

	Six months ended 30 June		
	2016	2015	
<b>KEY RATIOS</b>			
Gross profit margin <sup>(2)</sup>	<b>20.1%</b>	19.3%	
EBITDA margin <sup>(3)</sup>	<b>16.8%</b>	20.7%	
Return on equity <sup>(4)</sup>	<b>1.5%</b>	2.9%	
	<b>30.6.2016</b>	31.12.2015	
Current ratio <sup>(5)</sup>	<b>2.01</b>	2.22	
Gearing ratio <sup>(6)</sup>	<b>5.5%</b>	5.4%	
Net debts to equity ratio <sup>(7)</sup>	<b>Net cash</b>	Net cash	

### 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

We are pleased to present the unaudited interim results of Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” or “Xingda”) for the six months ended 30 June 2016.

In the first half of 2016, the Chinese economy stabilized after a downward trend, with its industrial, investment and consumption structures starting to improve mainly at the support of government policies aiming to ensure steady and consistent economic growth. As the radial tire cord industry continues to consolidate, some obsolete capacities have been ousted from the market eventually. At the same time, with the tire industry having ridged excess inventory the second half of 2015 and the prices of raw materials like steel and rubber risen in early 2016, the entire tire industrial chain saw the phenomenon of inventory replenishing. In the first half of 2016, orders for radial tire cords increased due to tire manufacturers and tire distributors needing to replenish inventory. Xingda, being an industry leader, was able not only to absorb the spared market share, but also gained more bargaining power.

During the review period, the Group’s overall business performance was back on solid ground as compared to that in the second half of 2015. For the six months ended 30 June 2016, the Group recorded revenue of RMB2,419.7 million, down by 1.1% (first half of 2015: RMB2,446.9 million). Selling price of radial tire cord products started to rebound in May and June of 2016. In addition, the increase in orders, rise in utilization of capacity and lower production cost during the period helped markedly improve the Group’s gross profit margin when compared with that for the second half of 2015. The gross profit margin was 0.8 percentage point higher than that of the same period last year, reaching 20.1% for the six months ended 30 June 2016 (first half of 2015: 19.3%). Gross profit increased 3.1% year-on-year to RMB485.9 million (first half of 2015: RMB471.2 million). Profit attributable to owners of the Company was RMB74.9 million, 48.9% lower year-on-year (first half of 2015: RMB146.7 million). Basic earnings per share were RMB5.04 fen, down by 48.1% year-on-year. If excluding the net gain on disposal of available-for-sale investment and net exchange loss from non-operating activities as well as the deferred tax charges related to the provision of withholding tax, the adjusted net profit of the Group for the six months ended 30 June 2016 and 2015 would have been RMB117.5 million and RMB95.5 million respectively, representing a year-on-year increase of 23.1%. The Board does not recommend payment of an interim dividend for the six months ended 30 June 2016.

From June 2016 to the date of this report, the Group repurchased 6,908,000 shares at an average price of approximately HK\$1.92 for a total consideration of approximately HK\$13.3 million (after deducting related expenses). Besides, the controlling shareholders of the Company purchased a total of 11,042,000 shares on the Stock Exchange of Hong Kong from 1 January 2016 to the date of this report. The shares buy back and increase in shareholding by the Company’s controlling shareholders reflect the Group’s management has great confidence in its development prospects.

Furthermore, the Company’s indirect non-wholly-owned subsidiary, Jiangsu Xingda Special Cord Co., Ltd. acquired equity interest representing approximately 22.2% of the total paid-up share capital of Shandong Xingda Steel Tyre Cord Co., Ltd. (“Shandong Xingda”), at a total consideration of approximately RMB117.5 million in June 2016. The acquisition of equity interest will enable the owners of the Company to enjoy a higher portion of profits contributed by Shandong Xingda in the future.

Based on the estimated data from the related institution, output of tires in the first half of the year was 274 million units, of which approximately 250 million units were radial tires and increased by approximately 2.0% year on year. With the radialization rate of tires in China standing currently at 91.2% (first half of 2015: 89.8%), there is still room for growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

According to the China Association of Automobile Manufacturers, total sales of China's passenger cars dropped by 3.90% to about 5,569,000 units in the first half of 2016, whereas sales volume of trucks in the country warmed up, growing by 4.03% to about 1.53 million units. The rebound of the truck industry in China has benefited Xingda.

### BUSINESS REVIEW

Despite facing a challenging operating environment during the review period, boasting industry leadership and premium products, Xingda was able to turn challenges into opportunities, promptly seizing the chances presented by the industry consolidation and tire manufacturers replenishing inventories. In the first half of 2016, Xingda's total sales volume recorded 316,200 tonnes, which represented a rise of 8.1% as compared with the sales volume during the same period last year and a 9.7% growth when compared with the second half of 2015. The sales volume of radial tire cords increased by 11.7% to 280,500 tonnes, accounting for 88.7% of the Group's total sales volume (first half of 2015: 85.8%). The sales volume of bead wires and other wires was down by 14.0% to 35,700 tonnes, making up 11.3% of the Group's total sales volume (first half of 2015: 14.2%).

In the first half of 2016, sales volume of radial tire cords for trucks increased year-on-year by 11.3% to 170,400 tonnes, driven by the radial tire cord industry consolidation, local tire industry replenishing inventory and picking up on sales and production. Sales volume of radial tire cords for passenger cars also increased, by 12.3%, to 110,100 tonnes, due to the continuous and steady expansion of various overseas markets. Sales volume of the two segments accounted for 60.8% and 39.2% respectively of the Group's total sales of radial tire cords (first half of 2015: 61.0% and 39.0%).

#### Sales Volume

	Six months ended 30 June		
	2016 <i>Tonnes</i>	2015 <i>Tonnes</i>	Change
Radial tire cords	<b>280,500</b>	251,100	+11.7%
– For trucks	<b>170,400</b>	153,100	+11.3%
– For passenger cars	<b>110,100</b>	98,000	+12.3%
Bead wires and other wires	<b>35,700</b>	41,500	-14.0%
Total	<b>316,200</b>	292,600	+8.1%

During the review period, the Group's domestic sales volume of radial tire cords rose by 13.7% to 219,800 tonnes (first half of 2015: 193,300 tonnes). Sales volume to overseas market picked up by 5.0% to 60,700 tonnes (first half of 2015: 57,800 tonnes). Sales volume of the domestic and overseas markets constituted 78.4% and 21.6% respectively of the Group's total sales volume of radial tire cords (first half of 2015: 77.0% and 23.0%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW – CONTINUED

During the six months ended 30 June 2016, the Group expanded its production facilities, boosting annual capacity to 630,000 tonnes of radial tire cords. As at 30 June 2016, the annual production capacity at its Jiangsu factory and Shandong factory were at 570,000 tonnes and 60,000 tonnes respectively. The annual output capacity of bead wires and other wires was reduced to 105,000 tonnes. The Group's overall capacity utilization rate increased to 82.3% (first half of 2015: 80.3%).

As at 30 June 2016, the Group offered to customers a diverse portfolio of products which included 253 types of radial tire cords and 86 types of bead wires and other wires.

## FINANCIAL REVIEW

### Revenue

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

<i>RMB in million</i>	Six months ended 30 June				
	2016	Proportion (%)	2015	Proportion (%)	Change (%)
Radial tire cords	<b>2,233.1</b>	<b>92</b>	2,234.2	91	–
– For trucks	<b>1,363.1</b>	<b>56</b>	1,383.7	56	-1.5
– For passenger cars	<b>870.0</b>	<b>36</b>	850.5	35	+2.3
Bead wires and other wires	<b>186.6</b>	<b>8</b>	212.7	9	-12.2
Total	<b><u>2,419.7</u></b>	<b><u>100</u></b>	<u>2,446.9</u>	<u>100</u>	-1.1

During the review period, the Group's revenue decreased year-on-year by 1.1% to RMB2,419.7 million (first half of 2015: RMB2,446.9 million), mainly due to the drop of selling price of radial tire cords recorded in the first quarter of 2016, which offset the increase in sales volume in the review period.

### Gross profit and gross profit margin

The Group's gross profit increased by 3.1% year-on-year to RMB485.9 million (first half of 2015: RMB471.2 million) and its gross profit margin was 20.1% (first half of 2015: 19.3%). It was also an improvement when compared with the gross profit margin of 16.9% in the second half of 2015, owed mainly to the boosted bargaining power of the Group, the transfer of increased material costs to customers and also higher production efficiency achieved during the review period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

### Other income

Other income increased by 2.5% to RMB9.7 million (first half of 2015: RMB9.4 million), due to the increase in sundry income.

### Government grants

Government grants decreased by 13.9% to RMB12.0 million (first half of 2015: 13.9 million), due to the decrease in recurring subsidies from the local government.

### Distribution and selling expenses

Distribution and selling expenses increased by 9.1% to RMB195.2 million (first half of 2015: RMB178.9 million). The increase was mainly attributable to rising freight charges due to higher export sales volume and change in sales mix.

### Administrative expenses and other gain and losses, net

Administrative expenses increased by 3.7% to RMB148.9 million (first half of 2015: RMB143.6 million), mainly attributable to an increase in depreciation charges on office premises and facilities and an increase in salaries payment. Other gains and losses, net decreased by 49.6% to RMB16.8 million (first half of 2015: RMB33.3 million) as a result of the decrease in impairment loss recognised on trade receivables and an increase in recovery of doubtful debts as well as the net exchange gain recorded in the first half of 2016.

### Finance costs

Finance costs dropped by 50.6% to RMB10.4 million (first half of 2015: RMB21.1 million). The decrease was mainly due to the drop of both average balance of bank borrowings and weight average interest rate.

### Income tax

The Group's income tax charge decreased by 35.1% to RMB29.3 million (first half of 2015: RMB45.2 million) and the effective tax rate is 21.5%. If the gain on disposal of available-for-sale investment and related income tax expense were excluded, the income tax charge would have increased by 15.3% and the effective tax rate for the six months ended 30 June 2015 would become 21.6%.

### Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2016 decreased by 47.6% to RMB106.9 million (first half of 2015: RMB204.0 million). If the net gain on disposal of available-for-sale investment from non-operating activities, deferred tax charges related to provision of withholding tax and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the six months ended 30 June 2016 would have been RMB117.5 million, representing an increase of RMB22.0 million or 23.1% when compared with the same period in previous year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

Reconciliation of report profit and underlying profit

	Six months ended 30 June	
	2016 <i>(unaudited)</i> RMB'000	2015 <i>(unaudited)</i> RMB'000
Profit for the period	106,881	204,044
Net gain on disposal of available-for-sale investment from non-operating activities	—	(111,897)
Deferred tax charges related to the provision of withholding tax	2,485	915
Net exchange loss arising from non-operating activities	8,181	2,444
	<hr/>	<hr/>
Underlying profit for the period	<b>117,547</b>	95,506
	<hr/>	<hr/>
Underlying profit for the period attributable to:		
Owners of the Company	85,575	72,261
Non-controlling interests	31,972	23,245
	<hr/>	<hr/>
	<b>117,547</b>	95,506
	<hr/>	<hr/>

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the review 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 whereas the principal uses of cash were expansion of production capacity, payment of dividends and acquisition of additional non-controlling interests of a subsidiary.

Bank balances and cash including bank deposits of the Group increased by RMB406.9 million from RMB733.3 million as at 31 December 2015 to RMB1,140.2 million as at 30 June 2016. The increase was due to the cash generated from operating activities of RMB843.9 million exceeding the cash used in financing activities of RMB236.2 million and investment activities of RMB200.8 million.

Bank borrowings were increased by RMB14.0 million or 2.7% to RMB529.0 million as at 30 June 2016 from RMB515.0 million as at 31 December 2015. The bank borrowings carried interest at market rates from 1.08% to 5.60% per annum (first half of 2015: 1.43% to 5.70%) and were repayable within one year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – CONTINUED

As at 30 June 2016, the Group's current assets increased by 6.6% to RMB5,393.2 million (31 December 2015: RMB5,060.5 million). Current liabilities increased by 17.4% to RMB2,679.0 million (31 December 2015: RMB2,281.5 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 2.01 times (31 December 2015: 2.22 times). The decrease was mainly caused by the increase in bill payables. The gearing ratio (being defined as total debts to total assets) as at 30 June 2016 was 5.5% (31 December 2015: 5.4%).

## 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 2016.

Apart from certain bank balances, debtors' balances and bank borrowings in US dollars, euros and Hong Kong dollars, 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, devaluation of the renminbi was beneficial to the Group's operations and financial flows. Therefore, the Group did not enter into any financial derivative instruments to hedge against foreign exchange currency exposure 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 2016, capital expenditure for property, plant and equipment amounted to RMB148.7 million (first half of 2015: RMB212.4 million).

## CAPITAL COMMITMENTS

As at 30 June 2016, the Group had made a capital commitment of approximately RMB75.8 million (31 December 2015: RMB82.1 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 2016 and 31 December 2015 respectively.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2016 and 31 December 2015 respectively.

## PLEDGE OF ASSETS

As at 30 June 2016, the Group pledged RMB77.5 million to the banks to secure bill payables and bank borrowings of the Group (31 December 2015: RMB17.5 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2016 and 2015 respectively.

## SIGNIFICANT ACQUISITIONS AND DISPOSALS

As disclosed above, Jiangsu Xingda Special Cord Co., Ltd. acquired equity interest representing approximately 22.2% of the total paid-up share capital of Shandong Xingda at a total consideration of approximately RMB117.5 million in June 2016.

## HUMAN RESOURCES

As at 30 June 2016, the Group had approximately 6,500 full time employees (31 December 2015: approximately 6,400). Total staff costs including directors' remuneration for the six months ended 30 June 2016 was approximately RMB241.1 million (first half of 2015: approximately RMB251.5 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 2016, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union was RMB3.9 million (first half of 2015: 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 ownership of shares. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES – CONTINUED

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.

As at 30 June 2016, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. The balance of the Third Batch Shares was 10,000,000 shares. The Group expected all the Third Batch Shares are to be vested with selected employees in a three-year period from 2017 onwards.

## PROSPECTS

The year 2016 will be a critical year for the Chinese economy striving to regain a firm foothold. The government has maintained consistent policies and pushed on with its “supply-side reforms” strategies. Its five main tasks included ousting excessive production capacity and inventory, deleveraging, lowering costs and improving weak links. Such moves to get rid of obsolete capacity, groom new industries and encourage manufacturing upgrades are conducive to industrial restructuring and will translate into new growth momentum for the industry in the long run. In addition, the continuous steady roll out of the country’s “One Belt, One Road” strategy and PPP projects becoming more and more mature will keep fuelling infrastructural demand nationwide. All these factors will hopefully provide abiding support to the government objective of “stabilizing growth” of the Chinese economy.

The consolidation of the radial tire cords industry is continuing, but with the product selling price hitting bottom during the review period, growth was registered in the second quarter of 2016, the first time since 2010, sending out a positive signal. The orders from radial tire manufacturers maintained a very strong momentum since March 2016, but some obsolete capacities couldn’t pick them up as a result of the industry reshuffle, thus the spared market share went into the hands of sizeable industry players. The industry consolidation has moved onto the right track and gone in depth, promising to optimize the industrial ecosystem in the long run, and Xingda is poised to benefit from this development.

The Group is optimistic about its future. It shall continue to follow its proven strategic direction, strive to stabilize the market by offering good quality products, perfect production by practicing effective management and meeting challenges using its formidable capital strength. As one of the largest radial tire cords manufacturers in China, Xingda is confident of its ability to stand out in the tough industrial environment, grasp first opportunities in the market and lead the pack in making advances.

## 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 2016.

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

As at 30 June 2016, 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 2016 (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)	582,955,000	39.190%
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)	582,955,000	39.190%
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)	582,955,000	39.190%
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)	582,955,000	39.190%
Koo Fook Sun, Louis	Beneficial owner	150,000	0.010%
William John Sharp	Beneficial owner	150,000	0.010%
Xu Chunhua	Beneficial owner	50,000	0.003%

## OTHER INFORMATION

### 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:

- Mr. Liu Jinlan held 11,345,000 shares in his own name as at 30 June 2016. 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 2016, 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.
- Mr. Liu Xiang held 1,800,000 shares in his own name as at 30 June 2016. 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 2016, 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.
- Mr. Tao Jinxiang held 1,800,000 shares in his own name as at 30 June 2016. 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 2016, 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.
- Mr. Zhang Yuxiao held 800,000 shares in his own name as at 30 June 2016. 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 2016, 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.
- The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2016, i.e., 1,487,494,693. A total number of 2,436,000 shares of the Company were bought back by the Company in June 2016 but not yet cancelled as at 30 June 2016.

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

Name of Director	Capacity	Associated corporation	Approximate percentage of registered capital of the associated corporation as at 30 June 2016	
			Number of ordinary shares in associated corporation	
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 30 June 2016, 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.

## OTHER INFORMATION

### 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 2016 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.

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

As at 30 June 2016, 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 2016 <i>(note 4)</i>
Great Trade Limited	Beneficial owner	238,348,000	16.02%
In-Plus Limited	Beneficial owner	135,064,000	9.08%
Perfect Sino Limited	Beneficial owner	111,229,000	7.48%
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 <i>(note 1)</i>	582,955,000	39.19%
Lu Guangming George	Interests of controlled corporations <i>(note 2)</i>	83,187,600	5.59%
E-Star Corporation	Beneficial owner <i>(note 3)</i>	106,649,400	7.17%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation <i>(note 3)</i>	106,649,400	7.17%
COFCO (BVI) Limited	Interest of a controlled corporation <i>(note 3)</i>	106,649,400	7.17%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation <i>(note 3)</i>	106,649,400	7.17%

## OTHER INFORMATION

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT 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 3,119,000 shares in his own name as at 30 June 2016. 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 2016, 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 2016. 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 2016. 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 2016, 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 2016, i.e., 1,487,494,693. A total number of 2,436,000 shares of the Company were bought back by the Company in June 2016 but not yet cancelled as at 30 June 2016.

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 2016 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.

## OTHER INFORMATION

### DEED OF NON-COMPETITION – CONTINUED

The Company has received the declaration for the six months ended 30 June 2016 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 2016, except for the following:–

Code provision A.2.1 which provides 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 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.

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES – CONTINUED

Code provision A.6.7 provides 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 and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 20 May 2016 as they had to attend other meetings or were engaged in other businesses and commitments. However, Ms. Wu, Mr. Koo 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 2016.

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

For the six months ended 30 June 2016, the Company repurchased 2,436,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB3.6 million. Such shares have been cancelled up to the date of this report. Details of repurchase are as follows:

Month of repurchase	Number of ordinary shares repurchased	Repurchasing price for each share		Aggregate consideration paid	
		Highest HK\$	Lowest HK\$	Approximately HK\$ Million	Equivalent to approximately RMB Million
June 2016	2,436,000	1.80	1.62	4.3	3.6

Save as disclosed above, 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 2016.

## OTHER INFORMATION

### 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 2016, the Group has utilised approximately HKD690 million of the net proceeds and the details are as follows:

	<b>Proposed uses of fund as stated in the Prospectus</b>	<b>Actual uses of funds up to 30 June 2016</b>	<b>Balance of net proceeds as at 30 June 2016</b>
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
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	13,844	56,156
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	–
	<hr/>	<hr/>	<hr/>
Total	<u>1,087,000</u>	<u>690,202</u>	<u>396,798</u>

The remaining amount of approximately HKD397 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 2016, all the net proceeds were utilised for enhancing the production facilities of a subsidiary invested by the Group and financing the working capital.

## OTHER INFORMATION

### 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 2016.

By Order of the Board

**XINGDA INTERNATIONAL HOLDINGS LIMITED**

**Liu Jinlan**

*Chairman*

Shanghai, the PRC, 25 August 2016

# 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 21 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 Main Board Listing 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

25 August 2016

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended 30 June	
		2016 <i>(unaudited)</i> RMB'000	2015 <i>(unaudited)</i> RMB'000
Revenue	4	<b>2,419,712</b>	2,446,900
Cost of sales		<b>(1,933,803)</b>	(1,975,681)
Gross profit		<b>485,909</b>	471,219
Other income	5	<b>9,660</b>	9,423
Government grants	6	<b>11,968</b>	13,893
Gain on disposal of available-for-sale investment		–	131,644
Distribution and selling expenses		<b>(195,196)</b>	(178,947)
Administrative expenses		<b>(148,933)</b>	(143,561)
Other gains and losses, net	7	<b>(16,779)</b>	(33,322)
Share of loss of a joint venture		–	(11)
Finance costs		<b>(10,439)</b>	(21,138)
Profit before tax		<b>136,190</b>	249,200
Income tax expense	8	<b>(29,309)</b>	(45,156)
Profit and total comprehensive income for the period, net of tax	9	<b>106,881</b>	204,044
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		<b>74,909</b>	146,715
Non-controlling interests		<b>31,972</b>	57,329
		<b>106,881</b>	204,044
Earnings per share	11		
Basic (RMB fen)		<b>5.04</b>	9.71

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	<b>3,872,284</b>	3,984,404
Prepaid lease payments		<b>278,675</b>	282,157
Investment properties	12	<b>136,690</b>	136,690
Deferred tax assets		<b>14,637</b>	16,583
Prepayment		<b>2,500</b>	4,000
		<b>4,304,786</b>	4,423,834
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>6,965</b>	6,965
Inventories		<b>399,333</b>	395,810
Trade and other receivables	13	<b>2,076,208</b>	1,933,267
Bill receivables	13	<b>1,693,070</b>	1,973,563
Pledged bank deposits		<b>77,500</b>	17,500
Bank balances and cash		<b>1,140,157</b>	733,347
		<b>5,393,233</b>	5,060,452
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	<b>1,789,048</b>	1,718,818
Bill payables	14	<b>300,000</b>	–
Amount due to a related company		–	157
Tax liabilities		<b>43,949</b>	32,051
Borrowings – due within one year	15	<b>528,972</b>	514,953
Government grants		<b>17,000</b>	15,500
		<b>2,678,969</b>	2,281,479
<b>NET CURRENT ASSETS</b>		<b>2,714,264</b>	2,778,973
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,019,050</b>	7,202,807
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities		<b>8,607</b>	39,609
<b>NET ASSETS</b>		<b>7,010,443</b>	7,163,198

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		As at 30 June 2016 <i>(unaudited)</i> RMB'000	As at 31 December 2015 <i>(audited)</i> RMB'000
CAPITAL AND RESERVES			
Share capital	16	147,806	148,014
Share premium and other reserves		<u>4,927,320</u>	<u>4,976,016</u>
Equity attributable to owners of the Company		5,075,126	5,124,030
Non-controlling interests		<u>1,935,317</u>	<u>2,039,168</u>
TOTAL EQUITY		<u><u>7,010,443</u></u>	<u><u>7,163,198</u></u>

The condensed consolidated financial statements on pages 21 to 42 were approved and authorised for issue by the Board of Directors on 25 August 2016 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 2016

Attributable to owners of the Company

	Share capital	Share premium	Special reserve	Capital contribution reserve	Statutory common reserve	Investment revaluation reserve	Capital redemption reserve	Retained earnings	Shares held under share award scheme	Awarded shares compensation reserve	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	150,251	783,700	283,352	(130,150)	598,818	39,367	2,810	3,464,744	(32,428)	20,276	5,180,740	1,783,940	6,964,680
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	146,715	-	-	146,715	57,329	204,044
Appropriations	-	-	-	-	4,580	-	-	(4,580)	-	-	-	-	-
Dividend recognised as distribution (note 10)	-	(154,862)	-	-	-	-	-	-	-	-	(154,862)	-	(154,862)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(41,000)	(41,000)
Share vested under the share award scheme	-	-	-	-	-	-	-	-	9,494	(9,494)	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	3,593	3,593	-	3,593
Ordinary shares repurchased and cancelled	(413)	(10,340)	-	-	-	-	413	(413)	-	-	(10,753)	-	(10,753)
Investment revaluation reserve released on disposal of available-for-sale investment	-	-	-	-	-	(39,367)	-	-	-	-	(39,367)	(17,243)	(56,610)
Non-controlling interests arising on the recognition of a subsidiary previously treated as a jointly controlled entity (note 19)	-	-	-	-	-	-	-	-	-	-	-	247,503	247,503
At 30 June 2015 (unaudited)	149,838	618,498	283,352	(130,150)	603,398	-	3,223	3,606,466	(22,934)	14,375	5,126,066	2,030,529	7,156,595
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 paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(41,000)	(41,000)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	2,667	2,667	-	2,667
Ordinary shares repurchased	(208)	(3,427)	-	-	-	-	208	(208)	-	-	(3,635)	-	(3,635)
Capital contribution from non-controlling interests (note 20)	-	-	-	-	-	-	-	-	-	-	-	24,500	24,500
Acquisition of non-controlling interests in a subsidiary (note 20)	-	-	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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2016*

*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 Xingda") 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 2016

		Six months ended 30 June	
	NOTE	2016	2015
		(unaudited)	(unaudited)
		RMB'000	RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES			
Profit before tax		136,190	249,200
Depreciation and amortisation		259,351	235,974
Share of loss of a joint venture		–	11
Gain on deemed disposal of a joint venture		–	(6,807)
Gain on disposal of available-for-sale investment		–	(131,644)
(Increase) decrease in inventories		(3,523)	29,848
Increase in trade and other receivables		(135,063)	(125,940)
Decrease in bill receivables		280,493	458,612
Increase (decrease) in trade and other payables		43,697	(91,224)
Increase in bill payables		300,000	–
Income taxes paid		(46,467)	(51,008)
Other operating cash flows		9,161	33,828
		<b>843,839</b>	<b>600,850</b>
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(144,648)	(209,069)
Additions to prepaid lease payment		–	(418)
Placement of pledged bank deposits		(60,000)	(54,000)
Proceeds from disposal of available-for-sale investment		–	266,044
Net cash inflow arising on acquisition of a subsidiary	19	–	15,970
Interest received		2,834	2,712
Proceeds on disposal of property, plant and equipment		1,005	1,250
		<b>(200,809)</b>	<b>22,489</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
NET CASH USED IN FINANCING ACTIVITIES		
New bank loans raised	<b>302,777</b>	420,150
Repayment of borrowings	<b>(288,758)</b>	(530,000)
Acquisition of additional non-controlling interests of a subsidiary	<b>(117,549)</b>	–
Dividend paid	<b>(124,619)</b>	(154,862)
Dividend paid to non-controlling shareholders	<b>(17,000)</b>	(41,000)
Capital contribution from non-controlling interests of a subsidiary	<b>24,500</b>	–
Interest paid	<b>(11,936)</b>	(19,914)
Payment for repurchase of ordinary shares	<b>(3,635)</b>	(10,753)
	<b>(236,220)</b>	(336,379)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>406,810</b>	286,960
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>733,347</b>	530,910
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	<b>1,140,157</b>	817,870

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 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 registered office of the Company is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of its business 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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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 Group's condensed consolidated financial statements.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to IAS 16 and IAS 41	Agriculture: Bearer Plant
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

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.

## 4. SEGMENT INFORMATION

The directors of the Company (“Directors”), being the chief operating decision maker of the Group, regularly review revenue analysis by types of products which are basically radial tire cords, bead wires and other wires, for the purposes of resource allocation and assessment of performance. However, other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance of the respective types of products. The Directors review the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single operating and reportable segment under IFRS 8 “Operating Segments” and accordingly no separate segment information is prepared. The Group’s non-current assets (other than deferred tax assets) are located in the PRC.

## 5. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of scrap materials	2,456	2,800
Interest income earned on bank balances and bank deposits	2,834	2,712
Sundry income	4,370	3,911
	<u>9,660</u>	<u>9,423</u>

## 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 for technology improvement on production skills and research on new products during the six months ended 30 June 2016 and 2015.

For the government grants received in the current period where no specific conditions were attached, amounting to approximately RMB11,468,000 (for the six months ended 30 June 2015: RMB13,893,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income when the grants were received.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Gain on deemed disposal of a joint venture (note 19)	–	(6,807)
Impairment loss recognised on trade and other receivables	6,188	16,950
Write-off of trade receivables	1,223	1,112
Research and development expenditure	26,137	25,408
Exchange (gain) loss, net	(5,404)	966
Loss on disposal of property, plant and equipment	3,924	1,299
Recovery of doubtful debts	(15,289)	(5,606)
	<u>16,779</u>	<u>33,322</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
The charge comprises:		
Current tax		
Current period	24,950	45,605
Deferred taxation	4,359	(449)
	<u>29,309</u>	<u>45,156</u>

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate of 25% for both periods 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 Certificate 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 2016 and 2015, as well as the year ended 31 December 2015.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 8. INCOME TAX EXPENSE – CONTINUED

As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB2,709,000,000 other than Jiangsu Xingda Special Cord Co. Ltd.(31 December 2015: RMB2,451,000,000). 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 Hong Kong Profits Tax has been made in the condensed consolidated financial statements 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 the following items:

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	255,869	232,542
Amortisation of prepaid lease payments	<u>3,482</u>	<u>3,432</u>

## 10. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend paid in respect of the year ended		
31 December 2015 – 10.0 HK cents per share		
(2015: final dividend paid in respect of the year ended		
31 December 2014 – 13.0 HK cents per share)	<u>124,619</u>	<u>154,862</u>

No dividends were proposed during the reporting period. The Directors do not recommend the payment of an interim dividend.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 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	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>74,909</u>	<u>146,715</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,487,369</u>	<u>1,510,455</u>

There were no potential ordinary shares outstanding during the six months ended 30 June 2016 and 2015.

## 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 RMB4,929,000 (for the six months ended 30 June 2015: RMB2,549,000) for cash proceeds of approximately RMB1,005,000 (for the six months ended 30 June 2015: RMB1,250,000), resulting in a loss on disposal of RMB3,924,000 (for the six months ended 30 June 2015: RMB1,299,000).

In addition, during the period the Group spent approximately RMB148,678,000 (for the six months ended 30 June 2015: RMB212,368,000) 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 2015: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

No impairment loss was recognised during the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

The fair value of the Group's investment properties was valued at 31 December 2015 by DTZ Debenhams Tie Leung Limited, independent qualified professional valuers not connected with the Group.

The fair value of investment properties 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% 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 2016 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.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2016 are as follows:

	<b>Level 3</b>	<b>Fair value as at</b>
	<b>RMB'000</b>	<b>30 June</b>
	<b>RMB'000</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Office premises located in Shanghai	136,690	136,690

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 13. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES

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

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

	<b>As at 30 June 2016 (unaudited) RMB'000</b>	As at 31 December 2015 (audited) RMB'000
Trade receivables		
0 – 90 days	<b>1,606,230</b>	1,304,091
91 – 120 days	<b>177,157</b>	203,963
121 – 180 days	<b>142,429</b>	212,972
181 – 360 days	<b>110,824</b>	168,758
Over 360 days	<b>3,033</b>	10,404
	<b>2,039,673</b>	1,900,188
Advances to raw material suppliers	<b>7,676</b>	6,220
Prepayment for spools	<b>8,020</b>	10,323
Other receivables and prepayments	<b>26,089</b>	22,302
Less: Allowance for doubtful debts on other receivables	<b>(5,250)</b>	(5,766)
	<b>36,535</b>	33,079
	<b>2,076,208</b>	1,933,267
Bill receivables		
0 – 90 days	<b>157,581</b>	85,245
91 – 180 days	<b>444,332</b>	677,517
181 – 360 days	<b>934,325</b>	1,087,726
Over 360 days	<b>156,832</b>	123,075
	<b>1,693,070</b>	1,973,563

The Group reviewed the recoverability of long aged trade receivables on a case by case basis and an allowance for doubtful debts of approximately RMB6,188,000 (six months ended 30 June 2015: approximately RMB16,950,000) has been recognised for long outstanding trade receivables for the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 14. TRADE AND OTHER PAYABLES AND BILL PAYABLES

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

	<b>As at 30 June 2016 (unaudited) RMB'000</b>	As at 31 December 2015 (audited) RMB'000
Trade payables		
0 – 90 days	<b>807,088</b>	726,020
91 – 180 days	<b>131,545</b>	197,015
181 – 360 days	<b>264,333</b>	256,601
Over 360 days	<b>76,822</b>	31,051
	<b>1,279,788</b>	1,210,687
Value-added tax payable and other tax payables	<b>39,108</b>	4,472
Accrued staff costs and pension	<b>142,995</b>	197,811
Payables for purchase of property, plant and equipment	<b>255,416</b>	251,386
Accrued interest expense	<b>3,751</b>	5,248
Accrued electricity charges	<b>505</b>	1,773
Dividend payables to a non-controlling shareholder	<b>24,000</b>	–
Others	<b>43,485</b>	47,441
	<b>509,260</b>	508,131
	<b>1,789,048</b>	1,718,818
Bills payables		
0 – 90 days	<b>300,000</b>	–

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 15. BORROWINGS

	<b>As at 30 June 2016 (unaudited) RMB'000</b>	As at 31 December 2015 (audited) RMB'000
Bank loans	<b>528,972</b>	514,953
Secured	<b>78,214</b>	34,965
Unsecured	<b>450,758</b>	479,988
	<b>528,972</b>	514,953

During the period, the Group obtained new bank borrowings amounting to RMB302,777,000 (for the six months ended 30 June 2015: RMB420,150,000). The loans carry interest at market rates. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB288,758,000 (for the six months ended 30 June 2015: RMB530,000,000) during the period.

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

	<b>30 June 2016</b>	31 December 2015
Effective interest rates:		
Fixed-rate borrowings	<b>2.66% – 5.60%</b>	3.92% – 5.60%
Variable-rate borrowings	<b>1.08% – 5.32%</b>	1.05% – 4.14%

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2016 '000	31 December 2015 '000	30 June 2016 RMB'000	31 December 2015 RMB'000
Authorised:				
3 billion ordinary shares of HK\$0.1 each	<u>3,000,000</u>	<u>3,000,000</u>	<u>301,410</u>	<u>301,410</u>
Issued and fully paid:				
At beginning of period	<u>1,487,495</u>	<u>1,515,287</u>	<u>148,014</u>	<u>150,251</u>
Shares repurchased	<u>(2,436)</u>	<u>(27,792)</u>	<u>(208)</u>	<u>(2,237)</u>
At end of period	<u>1,485,059</u>	<u>1,487,495</u>	<u>147,806</u>	<u>148,014</u>

During the period ended 30 June 2016, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of ordinary shares at HK\$0.1 each '000	Price per share		Aggregate Aggregate consideration consideration paid paid equivalent to	
		Highest HK\$	Lowest HK\$	HK\$'000	RMB'000
June 2016	2,436	1.80	1.62	<u>4,253</u>	<u>3,635</u>

The above shares were cancelled subsequently after their repurchase. Save as disclosed above, neither the Company nor any of the Company's subsidiaries purchased, repurchased, sold or redeemed any of the Company's shares during the period ended 30 June 2016.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 17. CAPITAL COMMITMENTS

	<b>As at 30 June 2016 (unaudited) RMB'000</b>	As at 31 December 2015 (audited) RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u><b>75,764</b></u>	<u>82,121</u>

## 18. 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 with the rules of the Scheme.

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

	<b>Number of shares</b>
Outstanding as at 1 January 2016	10,000,000
Awarded during the period (Note 1)	–
Vested during the period (Note 2)	–
Outstanding as at 30 June 2016	<u><u>10,000,000</u></u>

Note 1: No shares were granted during the period.

Note 2: No awarded shares were vested.

The Group recognised total expense of approximately RMB2,667,000 for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB3,593,000) in relation to shares granted under the Scheme by the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 19. ACQUISITION OF A SUBSIDIARY

### For the period ended 30 June 2015

Pursuant to the revised shareholders' agreement and articles of association of Shandong Xingda dated 24 January 2015 entered into between Faith Maple International Ltd. ("Faith Maple") and the other two shareholders of Shandong Xingda, they stipulated that major operating decisions, including approvals of annual budgets and agreement entered into with any parties as well as the related parties of the shareholders with an amount equal to or more than RMB5,000,000, shall be approved by a simple majority of Shandong Xingda's board of directors. According to the composition of Shandong Xingda's board, Faith Maple is entitled to nominate three out of five directors and the other two shareholders are entitled to nominate one director each. Accompanied with the unchanged 51% shareholding interest in Shandong Xingda, Faith Maple had obtained the control of Shandong Xingda after the amendment of shareholders' agreement and articles of association of Shandong Xingda. Accordingly, Shandong Xingda had been derecognised as a joint venture and recognised as a subsidiary of the Company with effective from 24 January 2015.

Shandong Xingda is principally engaged in manufacturing and distribution of radial tire cords and bead wires.

### Assets and liabilities recognised at the date of acquisition

	<i>RMB'000</i>
<b>Current assets</b>	
Prepaid lease payments	1,067
Cash and cash equivalents	15,970
Other receivables	18,893
Inventories	19,363
<b>Non-current assets</b>	
Property, plant and equipment	432,903
Prepaid lease payments	51,663
<b>Current liabilities</b>	
Other payables	(30,301)
<b>Non-current liabilities</b>	
Deferred tax liabilities	(4,449)
	<u>505,109</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 19. ACQUISITION OF A SUBSIDIARY – continued

### Non-controlling interests

The non-controlling interests (49%) in Shandong Xingda recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to approximately RMB247,503,000.

### Goodwill arising on acquisition

	<i>RMB'000</i>
Fair value of consideration given for controlling interests	–
Fair value of previously held interest in a joint venture	257,606
Non-controlling interests	247,503
Less: recognised amount of identifiable net assets acquired (100%)	(505,109)
	<hr/>
Goodwill arising on acquisition	–
	<hr/> <hr/>

### Net cash inflow arising on acquisition

	<i>RMB'000</i>
Consideration paid in cash	–
Less: cash and cash equivalents balances acquired	15,970
	<hr/>
	15,970
	<hr/> <hr/>

### Gain on deemed disposal of a joint venture

	<i>RMB'000</i>
Fair value of previously held interest in a joint venture	257,606
Carrying amount of interest in a joint venture	(250,810)
Share of loss of a joint venture	11
	<hr/>
Gain on deemed disposal of a joint venture	6,807
	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 19. ACQUISITION OF A SUBSIDIARY – continued

### Impact of acquisition on the results of the Group

Included in the profit for the six months period ended 30 June 2015 is RMB4,577,000 loss attributable to Shandong Xingda. Revenue for the six months ended 30 June 2015 includes RMB59,811,000 is attributable to Shandong Xingda.

Had the acquisition of Shandong Xingda been effected at the beginning of the six months ended 30 June 2015, the total amount of revenue of the Group for the six months ended 30 June 2015 would have been RMB2,446,900,000, and the amount of the profit for the six months ended 30 June 2015 would have been RMB204,034,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the six months ended 30 June 2015, nor was it intended to be a projection of future results.

## 20. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

On 1 February 2016, the Group entered into an equity transfer agreements (the “Agreements”) with a shareholder of non-controlling interests (the “Vendor”) of Shandong Xingda. According to the Agreements, the Group has the right to acquire all the equity interest held by the Vendor within 180 days, representing 24.5% of the total paid-up share capital of Shandong Xingda, for a total consideration of RMB117,549,000. The Group executed the right of acquiring the shares from the Vendor in June 2016.

On 27 April 2016, Shangdong Xingda increased its registered capital by USD15,245,000 (equivalent to approximately RMB100,000,000) and then additional capital contributions of RMB75,500,000 and RMB24,500,000 were made by the Group and the shareholder of the non-controlling interests respectively on or before 30 June 2016. The Group owned 74.5% of the equity interest of Shandong Xingda upon the completion of the equity transfer transaction and capital injection during the period ended 30 June 2016.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 21. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	Note	Six months ended 30 June	
			2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services to the Group	(a)	<u>3,198</u>	<u>1,942</u>

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	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Short-term benefits	22,424	21,625
Post-employment benefit	80	66
Share based payments	<u>2,324</u>	<u>3,116</u>
	<u>24,828</u>	<u>24,807</u>

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

## 22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.