XINGDA

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XINGDA INTERNATIONAL HOLDINGS LIMITED

興 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01899)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016 (unaudited)	2015 (unaudited)	
	RMB in Million	*RMB in Million*	**CHANGE**
Revenue	**2,419.7**	2,446.9	-1.1%
Gross profit	**485.9**	471.2	+3.1%
Gross profit margin	**20.1%**	19.3%	+0.8pp
EBITDA *(Note 1)*	**406.0**	506.3	-19.8%
Profit attributable to owners of the Company	**74.9**	146.7	-48.9%
Adjusted profit attributable to owners of the Company *(Note 2)*	**85.6**	72.3	+18.4%
Earnings per share - basic (RMB fen)	**5.04**	9.71	-48.1%
	As at		
	30.6.2016 (unaudited)	31.12.2015 (audited)	
Gearing ratio	**5.5%**	5.4%	+0.1pp

Notes:

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

INTERIM RESULTS

The board of directors (the "Board") of Xingda International Holdings Limited (the "Company") is pleased to announce the condensed consolidated financial statements of the Company and its subsidiaries (the "Group" or "Xingda") for the six months ended 30 June 2016 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
	NOTES	**2016**	2015
		(unaudited)	(unaudited)
		RMB'000	*RMB'000*
Revenue	3	**2,419,712**	2,446,900
Cost of sales		**(1,933,803)**	(1,975,681)
Gross profit		**485,909**	471,219
Other income		**9,660**	9,423
Government grants		**11,968**	13,893
Gain on disposal of available-for-sale investment		**—**	131,644
Distribution and selling expenses		**(195,196)**	(178,947)
Administrative expenses		**(148,933)**	(143,561)
Other gains and losses, net	4	**(16,779)**	(33,322)
Share of loss of a joint venture		**—**	(11)
Finance costs		**(10,439)**	(21,138)
Profit before tax		**136,190**	249,200
Income tax expense	5	**(29,309)**	(45,156)
Profit and total comprehensive income for the period, net of tax	6	**106,881**	204,044
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**74,909**	146,715
Non-controlling interests		**31,972**	57,329
		106,881	204,044
Earnings per share	8		
Basic (RMB fen)		**5.04**	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*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,872,284**	3,984,404
Prepaid lease payments		**278,675**	282,157
Investment properties		**136,690**	136,690
Deferred tax assets		**14,637**	16,583
Prepayment		**2,500**	4,000
		4,304,786	4,423,834
CURRENT ASSETS			
Prepaid lease payments		**6,965**	6,965
Inventories		**399,333**	395,810
Trade and other receivables	9	**2,076,208**	1,933,267
Bill receivables	9	**1,693,070**	1,973,563
Pledged bank deposits		**77,500**	17,500
Bank balances and cash		**1,140,157**	733,347
		5,393,233	5,060,452
CURRENT LIABILITIES			
Trade and other payables	10	**1,789,048**	1,718,818
Bill payables	10	**300,000**	—
Amount due to a related company		**—**	157
Tax liabilities		**43,949**	32,051
Borrowings - due within one year		**528,972**	514,953
Government grants		**17,000**	15,500
		2,678,969	2,281,479
NET CURRENT ASSETS		**2,714,264**	2,778,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,019,050**	7,202,807
NON-CURRENT LIABILITY			
Deferred tax liabilities		**8,607**	39,609
NET ASSETS		**7,010,443**	7,163,198

	NOTE	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
CAPITAL AND RESERVES			
Share capital	11	**147,806**	148,014
Share premium and other reserves		**4,927,320**	4,976,016
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,075,126**	5,124,030
NON-CONTROLLING INTERESTS		**1,935,317**	2,039,168
TOTAL EQUITY		**7,010,443**	7,163,198

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	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
	843,839	600,850
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	**—**	15,970
Interest received	**2,834**	2,712
Proceeds on disposal of property, plant and equipment	**1,005**	1,250
	(200,809)	22,489
NET CASH USED IN FINANCING ACTIVITIES		
New bank loans raised	**302,777**	420,150
Repayment of borrowings	**(288,758)**	(530,000)
Acquisition of additional non-controlling interests of a subsidiary	**(117,549)**	—
Dividend paid	**(124,619)**	(154,862)
Dividend paid to non-controlling shareholders	**(17,000)**	(41,000)
Capital contribution from non-controlling interests of a subsidiary	**24,500**	—
Interest paid	**(11,936)**	(19,914)
Payment for repurchase of ordinary shares	**(3,635)**	(10,753)
	(236,220)	(336,379)

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**406,810**	286,960
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**733,347**	530,910
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash	**1,140,157**	817,870

NOTES:

1. 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 of Hong Kong Limited ("Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 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

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.

3. 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.

4. 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	**—**	(6,807)
Impairment loss recognised on trade and other receivables	**6,188**	16,950
Written-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)
	16,779	33,322

5. 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)
	29,309	45,156

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 Steel Tyre Cord Co., Ltd. ("Jiangsu Xingda") renewed its High-tech Enterprise Certificate which expired in 2014 with the relevant authorities issued the High-tech Enterprise Certificate on 6 July 2015. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise 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.

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.

6. 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	**3,482**	3,432

7. 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)	**124,619**	154,862

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**74,909**	146,715
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,487,369**	1,510,455

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

9. 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:

	As at 30 June 2016 (unaudited) *RMB'000*	As at 31 December 2015 (audited) *RMB'000*
Trade receivables		
0 - 90 days	**1,606,230**	1,304,091
91 - 120 days	**177,157**	203,963
121 - 180 days	**142,429**	212,972
181 - 360 days	**110,824**	168,758
Over 360 days	**3,033**	10,404
	2,039,673	1,900,188
Advance to raw material suppliers	**7,676**	6,220
Prepayment for spools	**8,020**	10,323
Other receivables and prepayments	**26,089**	22,302
Less: Allowance for doubtful debts on other receivables	**(5,250)**	(5,766)
	36,535	33,079
	2,076,208	1,933,267
Bill receivables		
0 - 90 days	**157,581**	85,245
91 - 180 days	**444,332**	677,517
181 - 360 days	**934,325**	1,087,726
Over 360 days	**156,832**	123,075
	1,693,070	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: RMB16,950,000) has been recognised for long outstanding trade receivables for the period.

10. 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:

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

11. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2016	31 December 2015	**30 June 2016**	31 December 2015
	'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	**1,487,495**	1,515,287	**148,014**	150,251
Shares repurchased	**(2,436)**	(27,792)	**(208)**	(2,237)
At end of period	**1,485,059**	1,487,495	**147,806**	148,014

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$0.1 each	Price per share Highest	Price per share Lowest	Aggregate Consideration Paid	
	'000	*HK$*	*HK$*	*HK$'000*	*Equivalent to RMB'000*
June 2016	2,436	1.80	1.62	4,253	3,635

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.

12. COMPARATIVE FIGURES

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

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 ridded 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 announcement, 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 announcement. 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.

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	2015	Change
	Tonnes	*Tonnes*	
Radial tire cords	**280,500**	251,100	+11.7%
- For trucks	***170,400***	*153,100*	*+11.3%*
- For passenger cars	***110,100***	*98,000*	*+12.3%*
Bead wires and other wires	**35,700**	41,500	-14.0%
Total	**316,200**	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%).

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:

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

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.

Reconciliation of report profit and underlying profit

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	*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
Underlying profit for the period	**117,547**	95,506
Underlying profit for the period attributable to:		
Owners of the Company	**85,575**	72,261
Non-controlling interests	**31,972**	23,245
	117,547	95,506

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.

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).

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.

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.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2016.

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.

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 for Securities Transactions by Directors of Listed Issuers (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 of the Group who are likely to be in possession of inside 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 announcement. Details of repurchase are as follows:

		Repurchasing price for each share		**Aggregate consideration paid**	
Month of repurchase	**Number of ordinary shares repurchased**	**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.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee of the Company together with the external auditor and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2016.

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

Shanghai, the PRC, 25 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. LIU Jinlan, Mr. LIU Xiang, Mr. TAO Jinxiang and Mr. ZHANG Yuxiao; the non-executive director of the Company is Ms. WU Xiaohui and the independent non-executive directors of the Company are Mr. KOO Fook Sun, Louis, Mr. William John SHARP and Ms. XU Chunhua.