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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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	2016 ***RMB in million***	2015 *RMB in million*	**Change**
Revenue	**5,469.2**	4,736.9	**+15.5%**
Gross profit margin	**21.9%**	17.9%	**+4.0pp**
Profit attributable to owners of the Company	**277.8**	173.8	**+59.9%**
Adjusted profit attributable to owners of the Company (note)	**285.7**	112.9	**+152.9%**
Earnings per share – basic (RMB fen)	**18.75**	11.57	**+62.1%**
Gearing ratio	**8.5%**	5.4%	**+3.1pp**
Proposed final dividend/ Final dividend per share (HK cents)	**15.0**	10.0	**+50.0%**
Dividend payout ratio	**70.9%**	71.7%	**-0.8pp**

Note: 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 charge 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.

RESULTS

The board of directors (the “Board”) of Xingda International Holdings Limited (the “Company” or "Xingda") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** ***RMB’000***	2015 *RMB’000*
Revenue	5	**5,469,176**	4,736,889
Cost of sales		**(4,273,864)**	(3,886,725)
Gross profit		**1,195,312**	850,164
Other income	6	**36,170**	22,453
Gain on disposal of available-for-sale investment		**—**	131,644
Government grants		**31,333**	29,977
Distribution and selling expenses		**(443,532)**	(376,432)
Administrative expenses		**(303,896)**	(280,902)
Other gains and losses, net	7	**(26,285)**	(49,827)
Share of loss of a joint venture		—	(11)
Finance costs	8	**(21,481)**	(34,235)
Profit before tax		**467,621**	292,831
Income tax expense	9	**(72,899)**	(53,109)
Profit and total comprehensive income for the year, net of tax	10	**394,722**	239,722
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**277,792**	173,754
Non-controlling interests		**116,930**	65,968
		394,722	239,722
Earnings per share	12		
Basic (RMB fen)		**18.75**	11.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	NOTES	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,804,440**	3,984,404
Prepaid lease payments		**275,192**	282,157
Investment properties		**140,190**	136,690
Fixed bank deposits with more than three months to maturity when placed		**900,000**	—
Deferred tax assets		**13,813**	16,583
Prepayments		**19,713**	4,000
		5,153,348	4,423,834
CURRENT ASSETS			
Prepaid lease payments		**6,965**	6,965
Inventories		**559,004**	395,810
Trade and other receivables	13	**2,260,590**	1,933,267
Bill receivables	13	**2,343,315**	1,973,563
Pledged bank deposits		**69,500**	17,500
Bank balances and cash		**480,170**	733,347
		5,719,544	5,060,452
CURRENT LIABILITIES			
Trade and other payables	14	**2,379,496**	1,718,818
Bill payables	14	**260,000**	—
Amount due to a related company		**3,081**	157
Tax liabilities		**42,537**	32,051
Borrowings - due within one year		**922,794**	514,953
Government grants		**7,000**	15,500
		3,614,908	2,281,479
NET CURRENT ASSETS		**2,104,636**	2,778,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,257,984**	7,202,807
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,409**	39,609
NET ASSETS		**7,248,575**	7,163,198

	NOTE	**2016**	2015
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital	15	**146,365**	148,014
Share premium and other reserves		**5,081,935**	4,976,016
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,228,300**	5,124,030
NON-CONTROLLING INTERESTS		**2,020,275**	2,039,168
TOTAL EQUITY		**7,248,575**	7,163,198

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**467,621**	292,831
Adjustments for:		
Depreciation and amortization	**522,420**	482,910
Interest income	**(17,167)**	(5,817)
Gain on fair value changes on investment properties	**(3,500)**	(6,450)
Share of loss of a joint venture	—	11
Gain on deemed disposal of a joint venture	—	(6,807)
Loss on disposal of property, plant and equipment	**13,228**	1,581
Gain on disposal of land use right	—	(7)
Gain on disposal of available-for-sale investment	—	(131,644)
Impairment loss recognised on trade and other receivables	**8,126**	71,005
Write-off of trade receivables	**3,695**	2,912
Impairment loss reversed on trade and other receivables	**(17,644)**	(27,454)
Recognition of equity-settled share-based payment	**6,596**	6,116
Finance costs	**21,481**	34,235
Operating cash flows before movements in working capital	**1,004,856**	713,422
(Increase) decrease in inventories	**(163,194)**	168,050
(Increase) decrease in trade and other receivables	**(309,339)**	65,496
(Increase) decrease in bill receivables	**(369,752)**	519,524
Decrease in prepayments	**3,000**	3,000
Increase (decrease) in trade and other payables	**633,327**	(480,285)
Increase in bill payables	**260,000**	—
(Decrease) increase in government grants received	**(8,500)**	5,500
Increase (decrease) in amount due to a related company	**2,924**	(4,100)
Purchase of ordinary shares for the purpose of share-award scheme	**(13,341)**	—
Cash generated from operations	**1,039,981**	990,607
Income tax paid	**(89,843)**	(81,239)
NET CASH FROM OPERATING ACTIVITIES	**950,138**	909,368

	2016	2015
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Placement of fixed bank deposits with more than three months to maturity when placed	**(900,000)**	—
Purchases of property, plant and equipment	**(323,202)**	(417,610)
Placement of pledged bank deposits	**(92,000)**	(71,500)
Prepayment for land use right	**(18,713)**	—
Withdrawal of pledged bank deposits	**40,000**	62,000
Interest received	**5,006**	5,817
Proceeds on disposal of property, plant and equipment	**3,331**	1,373
Purchases of land use right	—	(418)
Proceeds on disposal of available-for-sale investment	—	266,044
Proceeds on disposal of land use right	—	723
Net cash inflow arising on acquisition of a subsidiary	—	15,970
NET CASH USED IN INVESTING ACTIVITIES	**(1,285,578)**	(137,601)
FINANCING ACTIVITIES		
Repayments of bank borrowings	**(591,723)**	(911,352)
Dividends paid	**(124,619)**	(154,862)
Acquisition of additional non-controlling interests of a subsidiary	**(117,549)**	—
Payment on repurchase of ordinary shares	**(43,932)**	(42,351)
Dividends paid to non-controlling interests of a subsidiary	**(41,000)**	(41,000)
Interest paid	**(22,978)**	(30,380)
New bank borrowings raised	**995,664**	610,615
Capital contribution from non-controlling interests of a subsidiary	**24,500**	—
Other borrowings raised	**3,900**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**82,263**	(569,330)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(253,177)**	202,437
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**733,347**	530,910
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**480,170**	733,347

NOTES

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 address of the registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of its business is Xinghua City, Jiangsu Province, the People's Republic of China (the "PRC").

The 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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

IFRS 14	Regulatory Deferral Accounts
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
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Lease[3]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014 - 2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2017

[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IFRS *39 Financial Instruments* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not expect the adoption of IFRS 9 will have material impact on the Group's financial statements based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2016 and at 31 December 2015.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB792,000 as disclosed in note 32 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, the directors of the Company do not anticipate that the application of IFRS 16 will have material impact on the Group's financial statements based on an analysis of the Group's non-cancellable operating lease commitments as at 31 December 2016.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    (i) the original liability is derecognised;
    (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
    (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The directors of the Company anticipate that the application of these amendments to IFRS 2 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of these amendments to IFRS 2 will have a material impact on the Group's consolidated financial statements in future periods should such transactions arise.

Except as described above, the directors of the Company anticipate the application of other new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4. SEGMENT INFORMATION

The 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 and 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.

Revenue from major products

The following is an analysis of the Group's revenues from its major products:

	2016	2015
	RMB'000	*RMB'000*
Radial tire cords		
- For trucks	**3,203,617**	2,667,805
- For passenger cars	**1,836,381**	1,666,622
Bead wires and other wires	**429,178**	402,462
	5,469,176	4,736,889

Geographical information

Information about the Group's revenue from operations from external customers is presented based on the location of the goods delivered.

	2016	2015
	RMB'000	*RMB'000*
The PRC (country of domicile)	**4,252,267**	3,538,342
India	**252,250**	228,783
United States of America	**214,583**	172,013
Korea	**167,950**	214,483
Germany	**50,022**	84,569
Others	**532,104**	498,699
	5,469,176	4,736,889

"Others" included revenue from various countries which are individually immaterial to the Group's total revenue.

Information about major customers

Revenues from customer of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2016	2015
	RMB'000	*RMB'000*
Customer 1	**N/A***	491,109

* The corresponding revenue from Customer 1 for the year ended 31 December 2016 does not contribute over 10% of the total revenue of the Group.

5. REVENUE

Revenue represents amounts received and receivable for sales of radial tire cords, bead wires and other wires in the normal course of business, net of discount.

6. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Sales of scrap materials	**7,312**	4,900
Interest income earned on bank balances and bank deposits	**17,167**	5,817
Cash discounts received on early settlement of trade payables	—	338
Rental income from investment properties, net	**5,935**	6,123
Sundry income	**5,756**	5,275
	36,170	22,453

7. OTHER GAINS AND LOSSES, NET

	2016	2015
	RMB'000	*RMB'000*
Gain from change in fair value of investment properties	**(3,500)**	(6,450)
Loss on disposal of property, plant and equipment	**13,228**	1,581
Gain on disposal of land use right	—	(7)
Gain on deemed disposal of a joint venture	—	(6,807)
Research and development expenditure	**61,187**	44,950
Impairment loss recognised on trade and other receivables	**8,126**	71,005
Write-off of trade receivables	**3,695**	2,912
Impairment loss reversed on trade and other receivables	**(17,644)**	(27,454)
Net foreign exchange gain	**(38,807)**	(29,903)
	26,285	49,827

8. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on:		
Bank loans and other borrowings	**21,481**	34,235

9. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax	**112,664**	82,292
Overprovision in prior years	**(12,335)**	(4,748)
Deferred tax	**(27,430)**	(24,435)
	72,899	53,109

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate of 25% for both years 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 Regulations of the EIT Law, the tax rate for certain PRC subsidiaries is 25% from 1 January 2008 onwards except for the subsidiary described below.

Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda") renewed its High-tech Enterprise Certificate which expired in 2014 with the relevant authorities issued the High-tech Enterprise Certificate on 6 July 2015. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2015, 2016 and 2017. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax of Jiangsu Xingda for the years ended 31 December 2016 and 2015.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**467,621**	292,831
Tax at the PRC tax rate of 25%	**116,905**	73,207
Tax effect of expenses not deductible for tax purposes	**29,074**	24,841
Tax effect of income not taxable for tax purposes	**(9,144)**	(14,339)
Tax effect of preferential tax rate	**(19,761)**	(15,737)
Tax effect of share of loss of a joint venture	—	3
Overprovision in prior years	**(12,335)**	(4,748)
Withholding tax (Note)	**(30,930)**	(9,850)
Others	**(910)**	(268)
Income tax expense for the year	**72,899**	53,109

Note: Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards at a tax rate of 10%. In 2016, one of the PRC subsidiaries, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cords") has distributed previously proposed dividends of RMB371,274,000 (2015: RMB130,500,000) and proposed additional dividends on 2016's earnings to its immediate holding company, Faith Maple International Ltd. ("Faith Maple") which was not accredited as a PRC tax resident as at 31 December 2016 and up to the date of these consolidated financial statements were authorised for issuance.

As a result, a deferred tax credit of approximately RMB30,930,000 (2015: RMB9,850,000) was provided in these consolidated financial statements. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries other than Xingda Special Cords amounting to RMB2,904,000,000 (2015: RMB2,451,000,000), as the Group is able to control the timing of the reversal of the temporary differences of these PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

10. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	**498,025**	468,620
Retirement benefits scheme contributions	**35,396**	33,559
Share-based payments	**6,596**	6,116
Total staff costs	**540,017**	508,295
Amortisation of prepaid lease payments	**6,965**	6,920
Auditor's remuneration	**2,079**	2,005
Cost of inventories recognised as an expense	**4,273,864**	3,886,725
Depreciation for property, plant and equipment	**515,455**	475,990
Gross rental income from investment properties	**(6,058)**	(6,490)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**123**	367
	(5,935)	(6,123)

11. DIVIDEND

	2016	2015
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
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
Final dividend proposed, 15.0 HK cents (financial year ended 31 December 2015: 10.0 HK cents) per share	**197,031**	124,619

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2016 of 15.0 HK cents (2015: 10.0 HK cents) per ordinary share in an aggregate amount of RMB197,031,000 (2015: RMB124,619,000) with scrip alternatives has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividend proposed for the year ended 31 December 2016 and the dividend paid for financial year ended 31 December 2015 will be or were paid out of share premium. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum of Association and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

12. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings figures are calculated as follows:		
<u>Profit for the year attributable to owners of the Company</u>		
Earnings for the purpose of basic earnings per share	**277,792**	173,754

	2016	2015
	'000	'000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,481,822**	1,502,008

There was no potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

13. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES

The Group has a policy of allowing an average credit period of 90 to 120 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates.

The Group accepts bills from various local customers as settlement when the trade receivables fall due. Before accepting the bills, the Group would confirm with the relevant banks on the validity of the bills. It is the Group's practice to utilise bills received to settle certain of its debts. The aged analysis of bill receivables is presented based on the invoice date of trade receivables as at the end of the reporting period which approximated the respective revenue recognition dates.

	2016	2015
	RMB'000	*RMB'000*
Trade receivables		
0 - 90 days	**1,781,427**	1,304,091
91 - 120 days	**206,899**	203,963
121 - 180 days	**142,588**	212,972
181 - 360 days	**62,906**	168,758
Over 360 days	**2,439**	10,404
	2,196,259	1,900,188
Advances to raw material suppliers	**26,709**	6,220
Prepayment for spools	**11,217**	10,323
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**12,161**	—
Other receivables and prepayments	**19,885**	22,302
Less: Allowance for doubtful debts on other receivables	**(5,641)**	(5,766)
	64,331	33,079
	2,260,590	1,933,267
Bill receivables		
0 - 90 days	**184,098**	85,245
91 - 180 days	**1,005,801**	677,517
181 - 360 days	**1,042,734**	1,087,726
Over 360 days	**110,682**	123,075
	2,343,315	1,973,563

14. TRADE AND OTHER PAYABLES AND BILL PAYABLES

The following is an aged analysis of trade payables and bills payables presented based on the invoice date at the end of the reporting period.

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
0 - 90 days	**914,592**	726,020
91 - 180 days	**505,626**	197,015
181 - 360 days	**283,275**	256,601
Over 360 days	**77,470**	31,051
	1,780,963	1,210,687
Value-added tax payables and other tax payables	**47,518**	4,472
Accrued staff costs and pension	**215,471**	197,811
Payables for purchase of property, plant and equipment	**280,234**	251,386
Accrued interest expense	**1,528**	5,248
Accrued electricity charges	**9,211**	1,773
Others	**44,571**	47,441
	598,533	508,131
	2,379,496	1,718,818
Bill payables		
91 - 180 days	**260,000**	—

All Group's trade payables are denominated in the functional currency of the group entities.

The average credit period on purchase of goods is 90 days which may be extended to 120 days or 180 days based on negotiation between the suppliers and the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. SHARE CAPITAL

	Number of shares		Share capital	
	2016	2015	**2016**	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 year	**1,487,495**	1,515,287	**148,014**	150,251
Repurchase of shares	**(19,048)**	(27,792)	**(1,649)**	(2,237)
At end of year	**1,468,447**	1,487,495	**146,365**	148,014

During the year ended 31 December 2016, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

	Number of ordinary shares	Price per share		Aggregate consideration paid	Aggregate consideration paid equivalent to
		Highest	Lowest		
	'000	*HK$*	*HK$*	*HK$'000*	*RMB'000*
June 2016	2,436	1.80	1.62	4,254	3,625
July 2016	4,472	2.12	1.84	9,019	7,733
September 2016	5,117	3.08	2.71	15,208	13,115
October 2016	2,060	3.20	3.08	6,526	5,692
November 2016	3,151	3.20	3.00	9,897	8,633
December 2016	1,812	3.20	3.09	5,739	5,134
	19,048			50,643	43,932

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 year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China’s economy started to stabilize with the GDP growing by 6.7% in 2016 and the corresponding steady growth in industrial production has enhanced corporate efficiency distinctively. According to the China Rubber Industry Association, China’s tire output increased by 7.96% to approximately 610 million units in 2016, of which approximately 565 million units were radial tires. The rise in radial tire outputs by 9.71% was the result of the Chinese government’s strategy to promote the use of these tires over the years which led to stable growth in the volume of output. In 2016, the radialization rate was maintained at a high level of approximately 93% (2015: 91%).

According to the China Association of Automobile Manufacturers, the national production volume of trucks increased by 11.3% to approximately 3.15 million vehicles in 2016. This was mainly attributable to the implementation of the “Limits of Dimensions, Axle Load and Masses for Motor Vehicles, Trailers and Combination Vehicles” (GB 1589-2016) by the Chinese government since July 2016. The standard regulates the dimensions, axle load and masses of motor vehicles, trailers and combination vehicles. Moreover, it was also due to a lower base created by the sluggish industry in 2015. The production volume of passenger cars also increased by 15.8% to about 24.42 million vehicles. This was mainly due to the national policies to cut the sales tax of small-displacement vehicles by 50% and the promotion of new energy vehicles which encouraged consumers to purchase vehicles before the deadline and to a certain extent also stimulated the production and sales of passenger cars.

BUSINESS REVIEW

In the second half of 2015, the radial tire industry going through supply-side structural reform actively ridded excess inventory. Came the first quarter of 2016, the domestic tire manufacturers started to replenish inventory and with the radial tire cords industry consolidation bearing fruit plus the development of new infrastructure projects picking up speed, demand for the Group’s radial tire cords has exceeded output since the second quarter of 2016. Moreover, in the second half of the year, the demand for new trucks increased as the government enforcing laws to clamp down on illegal modification, overrunning and overloading of trucks and also launching standard specifications for trucks. And, the country implementing measures such as reducing sales tax by half for low-emission cars and promoting new energy vehicles, have also released the keen demand for radial tire cords for passenger cars in the market. Combined with the effects on change of industry landscape and the implementation of new national policies, the sales volume of the Group’s radial tire cords was boosted by 21.0% to 606,300 tonnes during the year, accounting for 88.6% of the Group’s total sales volume (2015: 86.3%). The sales volume of bead wires and other wires decreased by 2.4% to 77,800 tonnes, making up 11.4% of the Group’s total sales volume (2015: 13.7%).

Benefited from the recovery of the radial tire cord market, the Group sold 381,400 tonnes of radial tire cords for trucks and 224,900 tonnes of radial tire cords for passenger cars, up by 25.4% and 14.1% year-on-year, accounting for 62.9% and 37.1% of the Group’s total sales volume of radial tire cord products, respectively (2015: 60.7% and 39.3%).

Sales Volume	**2016**	2015	Change
	Tonnes	*Tonnes*	
Radial tire cords	**606,300**	501,100	+21.0%
- For trucks	***381,400***	*304,000*	*+25.4%*
- For passenger cars	***224,900***	*197,100*	*+14.1%*
Bead wires and other wires	**77,800**	79,700	-2.4%
Total	**684,100**	580,800	+17.8%

As a result of the strong demand of radial tires in China during the year ended 31 December 2016, the domestic sales volume of radial tire cords rose by 26.5% to 487,200 tonnes (2015: 385,100 tonnes), representing 80.4% of the Group's total sales volume for this product (2015: 76.9%). The Group's continued escalation of development efforts in the global market has also helped maintain stable growth. As for overseas markets, the pan-Asia Pacific region (excluding China) and North America markets remain the Group's key markets. The export sales volume of the Group's radial tire cords increased by 2.7% to 119,100 tonnes (2015: 116,000 tonnes), accounting for 19.6% of its total sales volume of radial tire cords in 2016 (2015: 23.1%).

The Group's total annual production capacity of radial tire cords was 670,000 tonnes as at the end of 2016. The annual production capacities of its Jiangsu factory and Shandong plant were 580,000 tonnes and 90,000 tonnes respectively. As for bead wires and other wires, the annual production capacity was 105,000 tonnes. During the year, the overall utilization rate of the Group rebounded to 90% (2015: 82%).

	2016 Production Capacity (Tonnes)	**2016 Utilization Rate**	2015 Production Capacity (Tonnes)	2015 Utilization Rate
Radial tire cords	**670,000**	**92%**	610,000	83%
Bead wires and other wires	**105,000**	**73%**	112,000	71%
Overall	**775,000**	**90%**	722,000	82%

As at the end of 2016, the Group offered a wide variety of products, including 265 types of radial tire cords, 89 types of bead wires and other wires.

FINANCIAL REVIEW

Revenue

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

RMB in million	**2016**	**Proportion**	2015	Proportion	Change
Radial tire cords	**5,040.0**	**92%**	4,334.4	91%	+16.3%
- For trucks	***3,203.6***	***58%***	*2,667.8*	*56%*	*+20.1%*
- For passenger cars	***1,836.4***	***34%***	*1,666.6*	*35%*	*+10.2%*
Bead wires and other wires	**429.2**	**8%**	402.5	9%	+6.6%
Total	**5,469.2**	**100%**	4,736.9	100%	+15.5%

The Group's total revenue in 2016 increased by 15.5% or RMB732.3 million to RMB5,469.2 million, mainly due to robust order growth as a result of strong demand for radial tire cords in China and an increment in the average selling prices of the products from second quarter of the year onwards.

Gross profit and gross profit margin

In 2016, the Group's gross profit rose by 40.6% or RMB345.1 million to RMB1,195.3 million (2015: RMB850.2 million), mainly because the Group enhanced production efficiency and implemented strict cost saving measures during the year. Gross profit margin increased by 4.0 percentage points to 21.9% accordingly (2015: 17.9%).

Other income

Other income increased by RMB13.7 million or 61.1% from RMB22.5 million in 2015 to RMB36.2 million for the year under review, due to the increase in bank interest income derived from placing fixed bank deposits of RMB900.0 million.

Government grants

Government grants for the year increased by 4.5% from RMB30.0 million in 2015 to RMB31.3 million mainly due to the increase in incentive subsidies from the local government.

Distribution and selling expenses

In 2016, distribution and selling expenses increased by RMB67.1 million or 17.8% to RMB443.5 million (2015: RMB376.4 million), which was mainly caused by the higher transportation and storage costs as well as increased sales team remuneration associated with higher sales volume.

Administrative expenses

Administrative expenses increased by RMB23.0 million or 8.2% to RMB303.9 million in 2016. Such increase was mainly due to higher staff costs and depreciation charges on office premises.

Other gain and losses, net

Other gains and losses, net decreased by RMB23.5 million or 47.2% from RMB49.8 million in 2015 to RMB26.3 million in 2016. The decrease was mainly attributable to the decrease in impairment loss recognised on trade and other receivables which was partially offset by an increase in research and development expenditure and loss on disposal of property, plant and equipment.

Finance costs

Finance costs dropped by RMB12.7 million or 37.3% to RMB21.5 million from RMB34.2 million in 2015. The decrease was mainly due to the drop of both the weighted average interest rate of bank borrowings and the average balance of bank borrowings.

Income tax expense

The Group's income tax expense increased by RMB19.8 million to RMB72.9 million with an effective tax rate 15.6% (2015: 18.1%). The increase in income tax expenses was mainly caused by higher current tax charges as a result of an increment in operating profits.

Net profit

Taking the above factors into account, the Group's net profit for the year ended 31 December 2016 increased by RMB155.0 million or 64.7% from RMB239.7 million in 2015 to RMB394.7 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 year ended 31 December 2016 have been RMB402.6 million, representing an increase of RMB257.8 million or 178.0% when compared with the previous year.

Reconciliation of report profit and underlying profit

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**394,722**	239,722
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**	3,200
Net exchange loss arising from non-operating activities	**5,401**	13,802
Underlying profit for the year	**402,608**	144,827
Underlying profit for the year attributable to:		
Owners of the Company	**285,678**	112,943
Non-controlling interests	**116,930**	31,884
	402,608	144,827

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the year under review, 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 placement of fixed bank deposits, repayment of bank loans, expansion of production capacity, payment of dividends and payment for repurchase of ordinary shares.

Bank balances and cash including bank deposits of the Group decreased by RMB253.1 million from RMB733.3 million as at 31 December 2015 to RMB480.2 million as at 31 December 2016. The decrease was due to cash used in investment activities of RMB1,285.6 million exceeding the cash generated from operating activities of RMB950.2 million and financing activities of RMB82.3 million.

Borrowings increased by RMB407.8 million or 79.2% to RMB922.8 million as at 31 December 2016 from RMB515.0 million as at 31 December 2015. The bank borrowings carry interest at market rates from 1.88% to 4.35% (2015: 1.05% to 5.60%) and are repayable within one year from 31 December 2016.

The Group's current assets increased by 13.0% to RMB5,719.5 million as at 31 December 2016 from RMB5,060.5 million as at 31 December 2015 and its current liabilities increased by 58.4% from RMB2,281.5 million as at 31 December 2015 to RMB3,614.9 million as at 31 December 2016. The Group's current ratio, being defined as current assets over current liabilities, decreased from 2.22 times as at 31 December 2015 to 1.58 times as at 31 December 2016. The decrease was mainly caused by an increase in trade and other payables, borrowings due within one year and bills payables as well as a decrease in bank balances and cash. The gearing ratio which is measured by total debts (borrowings) to total assets increased from 5.4% as at 31 December 2015 to 8.5% as at 31 December 2016 mainly due to an increase in borrowings due within one year.

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 2016.

Apart from certain bank and debtors' balances in US dollars, euros, Hong Kong dollars and Thai baht, most of the assets and liabilities of the Group were denominated in Renminbi. Therefore, the Group was not exposed to significant foreign exchange risk. During the year under review, the devaluation of Renminbi was beneficial to the Group's operations and financial flows. Accordingly, the Group did not enter into any financial derivative instruments to hedge against foreign exchange currency exposure during the year under review. However, the Group is closely monitoring the impact of change in value of Renminbi on its operations and may consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the year ended 31 December 2016, capital expenditure of the Group for property, plant and equipment amounted to RMB352.1 million (2015: RMB350.7 million).

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had made capital commitment of approximately RMB136.3 million (31 December 2015: RMB82.1 million) for acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted for in both years.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2016, the Group pledged bank deposits of RMB69.5 million to banks to secure bill payables of the Group (31 December 2015: RMB17.5 million to secure banking facilities).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments as at 31 December 2016.

During the year ended 31 December 2015, Jiangsu Xingda, a subsidiary of the Company, disposed of 30,000,000 A shares of Guizhou Tyre Co., Ltd. ("Guizhou Tyre") to an independent third party, for an aggregate consideration, after expenses, of approximately RMB266.0 million on 14 April 2015. Upon completion of the disposal, the Group no linvestonger holds any shares in Guizhou Tyre.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

Save as disclosed, the Company had no other material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the year ended 31 December 2016.

HUMAN RESOURCES

As at 31 December 2016, the Group had approximately 6,800 (31 December 2015: approximately 6,400) full time employees. Total staff costs including directors' remuneration for the year ended 31 December 2016 was approximately RMB540.0 million (2015: approximately RMB508.3 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 knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of its staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour 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 year ended 31 December 2016, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB9.0 million (2015: RMB8.5 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 state 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 the pension funds, the Group has provided medical, personal accident and unemployment insurance policies for its employees.

In 2009, the Board of Directors adopted a share award scheme to encourage and retain elite employees to stay with the Group and to provide incentives to achieve performance goals with a view to attaining the objectives of increasing the value of the Group and aligning the interests of selected employees directly to the shareholders of the Company through ownership of shares. Pursuant to the scheme, shares will 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 the selected employees in accordance with the provisions of the scheme.

In 2010, 5,000,000 shares in the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares in the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares in 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 treated as the "Third Batch Shares". In 2014, 4,519,000 shares in the Company were purchased by the trustee on the public market and were added to the "Third Batch Shares". In 2016, 7,282,000 shares in the Company were purchased by the trustee on the public market (the "Fourth Batch Shares"). As at 31 December 2016, the balances of the Third Batch Shares and Fourth Batch Shares were 10,000,000 shares and 7,282,000 shares respectively.

As at 31 December 2016, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. The Third Batch Shares are expected to be vested with selected employees in 2017 and 2018. The Fourth Batch Shares are expected to be vested with selected employees in a three year period from 2019 to 2021.

PROSPECTS

The Chinese economy basically reached its growth target in 2016, marking a good first year launching the Thirteenth Five-year Plan. During 2017, “making progress while ensuring stability” will become the key focus of economic development. The Thirteenth Five-year Plan will enter a critical implementation stage while the “supply-side structural reforms” will be further pushed forward. The “One Belt, One Road” strategic directive will also support China’s international strategy in the coming year. Under the comprehensive planning and clear guidance of state policies, China’s economic growth structure is likely to achieve concrete improvement, thereby creating momentum for innovation in business and society, driving demand for production and construction and creating new development highlights in the industry. The Group believes that the trend towards stability in the macro environment will strengthen and expand during 2017.

The radial tire cord industry has undergone consolidation for several years and signs of improvement became evident during the year under review. The trend of the continuous drop in the average selling prices of products has ended after six years. The average selling prices have increased several times since the second quarter of 2016 and are likely to return to a normal level gradually during 2017. The phasing out of underperforming players resulted in the further concentration of the radial tire cord orders with the leading enterprises. Consequently, the production efficiency of the industry is expected to be heightened in 2017. Moreover, with the government’s announcement of policies aimed at achieving better management of overcapacity and overloading in July 2016, the phasing out of obsolete and non-compliant heavy trucks is expected to accelerate, spurring a long-term trend of upgrades and replacement which continues to stimulate the demand for radial tire cord. As a result, the industry should recover from the downturn as industry growth is expected to expand. Xingda, as an industry leader, should be among the principal beneficiaries of this growth.

Looking forward, the management is positive and optimistic about the prospects for the development of the industry. Xingda is continuing to uphold strict production standards as it actively leverages its advantages of product quality and production scale and aims to realize higher business effectiveness at lower cost. The Group strives to maintain its financial stability, so that it can address the ever-changing specifications of the products and quickly respond to the needs and situation of domestic and overseas markets, with the aim to capture every opportunity to advance its business. The winter is over and the spring is approaching. After overcoming tough challenges, Xingda is more confident in helping to lead the recovery of the industry and promoting the industry-wide upgrade and development.

DIVIDEND

The Board has recommended the payment of a final dividend of 15.0 HK cents (approximately RMB13.4 fen) per share for the financial year ended 31 December 2016 with the shareholders of the Company being given an option to elect to receive such proposed final dividend all in new shares, or all in cash, or partly in new shares and partly in cash (the "Scrip Dividend Scheme"). The proposed final dividend will be paid to the shareholders whose names appear on the register of members of the Company on Monday, 12 June 2017.

The Scrip Dividend Scheme is subject to (1) the approval of the proposed final dividend at the forthcoming annual general meeting; (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto; and (3) the white wash waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his/her delegate.

A circular containing full details of the Scrip Dividend Scheme together with the form of election will be sent out to the shareholders on or around Friday, 23 June 2017. It is expected that the final dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Friday, 21 July 2017.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Wednesday, 24 May 2017, notice of which will be published and dispatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 24 May 2017, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 17 May 2017.

The proposed final dividend for the year ended 31 December 2016 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 24 May 2017. The register of members of the Company will be closed from Thursday, 8 June 2017 to Monday, 12 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2016, the Company repurchased 19,048,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB43.9 million. Such shares have been cancelled up to the date of this announcement. Details of repurchase are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$ Million	Aggregate consideration paid Equivalent to RMB Million
June 2016	2,436,000	1.80	1.62	4.3	3.6
July 2016	4,472,000	2.12	1.84	9.0	7.7
September 2016	5,117,000	3.08	2.71	15.2	13.1
October 2016	2,060,000	3.20	3.08	6.5	5.7
November 2016	3,151,000	3.20	3.00	9.9	8.7
December 2016	1,812,000	3.20	3.09	5.7	5.1
Total	19,048,000			50.6	43.9

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, repurchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, except for the following:-

Code provision A.2.1 provides, among other things, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure that the Board acts in the best interest of the Company. The Company does not have the position of chief executive and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining executive Directors, the Executive Committee of the Company which has been established for determining, approving and overseeing the day-to-day control over the allocation of the Group's resources also segregates the duties of Mr. Liu Jinlan.

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

Code provision A.6.7 provides, among other things, that independent non-executive directors and non-executive directors should attend general meetings. Ms. Wu Xiaohui, a non-executive Director, Mr. Koo Fook Sun, Louis 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 year ended 31 December 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 inside information.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group, discussed auditing and financial reporting matters and have reviewed the annual results of the Group for the year ended 31 December 2016. In addition, the consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report was issued.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.irasia.com/listco/hk/xingda/index.htm. The annual report will be dispatched to the shareholders and available on the above websites in due course.

APPRECIATION

The Board would like to express its gratitude to all employees for their diligence and contribution. At the same time, the Board is also thankful for the support it has from all the customers, suppliers and shareholders of the Group. The Group will continue to work as a team to push for more brilliant results in 2017.

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

Shanghai, the PRC, 24 March 2017

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