INTERIM REPORT
2018

XINGDA INTERNATIONAL HOLDINGS LIMITED

興 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

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

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR RELATIONS

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

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

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

Hong Kong Branch:
Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

STOCK CODE

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**3,677.7**	3,215.7	+14.4%
Gross profit	**617.6**	717.5	-13.9%
EBITDA (1)	**512.5**	641.0	-20.0%
Profit for the period	**176.1**	288.9	-39.0%
Profit attributable to owners of the Company	**127.2**	212.9	-40.3%
Earnings per share – basic (RMB fen)	**8.57**	14.50	-40.9%

	30.6.2018	31.12.2017	Change
	RMB in million	RMB in million	
FINANCIAL POSITION			
Total assets	**12,020.8**	12,361.8	-2.8%
Total liabilities	**4,658.4**	4,929.0	-5.5%
Net assets	**7,362.4**	7,432.8	-0.9%
Equity attributable to owners of the Company	**5,297.3**	5,367.3	-1.3%

	Six months ended 30 June	
	2018	2017
KEY RATIOS		
Gross profit margin (2)	**16.8%**	22.3%
EBITDA margin (3)	**13.9%**	19.9%
Return on equity (4)	**2.4%**	4.1%

	30.6.2018	31.12.2017
Current ratio (5)	**1.45**	1.42
Gearing ratio (6)	**9.2%**	7.7%
Net debts to equity ratio (7)	**5.7%**	3.7%

Notes:

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

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

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

(5) Current assets divided by current liabilities.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited ("Company") and its subsidiaries (together the "Group" or "Xingda") are pleased to present the unaudited interim results for the six months ended 30 June 2018.

For the six months ended 30 June 2018, the Group's revenue amounted to RMB3,677.7 million, representing a growth of 14.4% from the corresponding period last year (first half of 2017: RMB3,215.7 million), which was mainly due to steady growth in demand for radial tire cord for trucks in China. The Group's gross profit dropped by 13.9% to RMB617.6 million (first half of 2017: RMB717.5 million) mainly due to the rising wire rod price, which led to higher production cost. Gross profit margin also decreased by 5.5 percentage points to 16.8% when compared with that of the same period last year (first half of 2017: 22.3%). Profit attributable to owners of the Company was RMB127.2 million, representing a year-on-year decrease of 40.3% (first half of 2017: RMB212.9 million). Basic earnings per share were RMB8.57 fen. The Board does not recommend payment of an interim dividend for the six months ended 30 June 2018.

In the first half of 2018, confronting the convoluted and complex international economic environment due to the slowdown in global economic recovery progress and geopolitical instability, the Chinese economy fared steadily. In such a volatile market environment, Xingda remained adhered to its agile sales strategies, business principles of premium product quality and leading research and development technology, striving to maintain steady sales growth.

The Chinese economy maintained steady growth, of which investments in fixed assets, property development and rising spending in e-commerce have boosted the demand for transport and road logistics services. This spurred the replacement demand on truck radial tires and sales of radial tire cords for truck. However, during the period, the price of steel wire rod maintained in a relatively high level after the surge of its price in the second half in 2017. As a result, in the first six months ended 30 June 2018, the cost pressure was higher on a year on year basis.

According to statistics from the China Association of Automobile Manufacturers, the national sales volume of trucks in China increased by 11.5% year-on-year to approximately 2.07 million units in the first half of 2018. As the government continued to roll out policies governing overrunning and overloading of trucks, which contributed to the elimination of out-of-date trucks and the increase of total carrying capacity, heavy goods vehicles have entered the stage of upgrade and replacement, thus stimulating the demand of new truck radial tires as well as the radial tire cord for trucks under OEM market. According to the data of China Rubber Industry Association, the tire output reached approximately 341 million units and radial tires output amounted to approximately 320 million units in the first half of this year, registering a slower year-on-year growth. The radialization rate in China mildly rose approximately 0.3 percentage point to 93.7%.

On 23 March 2018, it was announced that, among other things, the Board recommended the payment of a final dividend of 15.0 HK cents per share (the "2017 Final Dividend") of HK$0.1 each in the capital of the Company (the "Share(s)") for the year ended 31 December 2017 payable to the shareholders of the Company whose names appeared on the register of members of the Company ("Register of Members") as at the close of business on Friday, 8 June 2018 ("Record Date"). On 8 June 2018, the Group announced the scrip dividend scheme ("Scrip Dividend Scheme"), pursuant to which shareholders of the Company may opt to receive an allotment of new shares of HK$0.1 each in the share capital of the Company ("Scrip Shares") in lieu of cash only for the 2017 Final Dividend. Under the Scrip Dividend Scheme, shareholders of the Company whose names appeared on the Register of Members on the Record Date may elect to receive: (a) a cash dividend of 15.0 HK cents for each Share held on the Record Date; or (b) a scrip dividend of new shares at an issue price, subject to any fractional entitlement being disregarded; or (c) a combination of partly in (a) and partly in (b) above.The issue price of the Scrip Shares is HK$2.37 per Share. With the Scrip Dividend Scheme in place, the Company's controlling shareholders had opted to receive the 2017 Final Dividend partly in Scrip Shares and partly in cash, and ultimately had been allotted 8,000,000 Scrip Shares, reflecting their confidence in Xingda's business prospects.

BUSINESS REVIEW

In the first half of 2018, Xingda has continued to develop the market of radial tire cord and optimize its market layout, providing support to its business performance. The Group has recorded a total sales volume of 392,700 tonnes in the first half of 2018, up 11.0% year-on-year. Sales volume of radial tire cord climbed year-on-year by 3.3% to 325,900 tonnes, making up 83.0% of the Group's total sales volume (first half of 2017: 89.2%). The sales volume of bead wire and other wire has increased by 74.4% to 66,800 tonnes, accounting for 17.0% of the Group's total sales volume (first half of 2017: 10.8%).

By product category, benefitting from a stable demand for replacement trucks tires and growth of trucks sales, the sales volume of radial tire cord for trucks rose 9.4% to 215,800 tonnes from the corresponding period last year. On the other hand, the Government in China has cancelled the tax reduction policy concerning the purchase tax on small vehicles this year, thereby dragging down the sales growth of passenger cars. Consequently the sales volume of radial tire cords for passenger cars dropped by 6.8% to 110,100 tonnes. The sales volume of the two segments accounted for 66.2% and 33.8% respectively of the Group's total sales of radial tire cords (first half of 2017: 62.6% and 37.4%).

Sales Volume

	Six months ended 30 June		
	2018	2017	Change
	Tonnes	*Tonnes*	
Radial tire cords	**325,900**	315,400	+3.3%
– For trucks	***215,800***	*197,300*	*+9.4%*
– For passenger cars	***110,100***	*118,100*	*-6.8%*
Bead wires and other wires	**66,800**	38,300	+74.4%
Total	**392,700**	353,700	+11.0%

BUSINESS REVIEW – *CONTINUED*

By market category, the Group's sales volume of radial tire cord in China rose by 1.7% to 248,000 tonnes (first half of 2017: 243,900 tonnes) in the first half of this year, mainly benefitting from the persistent growth in demand for radial tire cord for trucks in mainland China. Meanwhile, Xingda's efforts to open up overseas markets have yielded encouraging results, showing solid performance particularly in Europe and Asia (excluding China) markets. Its overseas sales volume of radial tire cord has maintained growth momentum and rose year-on-year by 8.9% to 77,900 tonnes (first half of 2017: 71,500 tonnes). The proportion of the sales volume of domestic and overseas markets constituted 76.1% and 23.9% respectively of the Group's total sales volume (first half of 2017: 77.3% and 22.7%).

As of 30 June 2018, the Group's annual production capacity of radial tire cords maintained at 725,000 tonnes, with those of the Jiangsu factory and the Shandong factory reaching 625,000 tonnes and 100,000 tonnes respectively. Given the strong demand of Southeast Asian and Indian markets for its products, the Group has strategically decided to build a new factory in Thailand, which is expected to start production in the first half of 2019. Production capacity of radial tire cords of such new factory in the first phase will be 50,000 tonnes. Annual production capacity of bead wire and other wire was increased to 150,000 tonnes. Capitalizing on stronger market demand, the Group's overall capacity utilization rate continued to improve, achieving a high level of 90.7% (first half of 2017: 89.0%).

	30 June 2018 Production Capacity ***(Tonnes)***	**Six months ended 30 June 2018 Utilization Rate**	30 June 2017 Production Capacity *(Tonnes)*	Six months ended 30 June 2017 Utilization Rate
Radial tire cords	**725,000**	**91%**	720,000	91%
Bead wires and other wires	**150,000**	**91%**	105,000	73%
Overall	**875,000**	**91%**	825,000	89%

The Group is dedicated to the research, development and production of products that meet the market demand, as well as to providing a rich product mix that can satisfy customer needs. As of 30 June 2018, the Group possessed a wider range of products including 312 types of radial tire cord, 108 types of bead wire and other wire.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
RMB in million	**2018**	**Proportion** **(%)**	2017	Proportion *(%)*	Change *(%)*
Radial tire cords	**3,236.9**	**88**	2,993.8	93	+8.1
– For trucks	***2,198.8***	***60***	*1,921.4*	*60*	*+14.4*
– For passenger cars	***1,038.1***	***28***	*1,072.4*	*33*	*-3.2*
Bead wires and other wires	**440.8**	**12**	221.9	7	+98.6
Total	**3,677.7**	**100**	3,215.7	100	+14.4

During the review period, the Group's revenue increased year-on-year by 14.4% to RMB3,677.7 million (first half of 2017: RMB3,215.7 million), mainly due to the sales volume growth of radial tire cord for trucks and steadily rising product prices.

Gross profit and gross profit margin

The Group's gross profit decreased by 13.9% year-on-year to RMB617.6 million (first half of 2017: RMB717.5 million), with the gross profit margin at 16.8% (first half of 2017: 22.3%). Gross profit margin slid by 5.5 percent point year-on-year mainly due to significant increase in wire rod and production costs per tonne in the first half of 2018 when compared to the corresponding period of last year.

Other income

Other income increased by 62.3% to RMB80.6 million (first half of 2017: RMB49.7 million), mainly due to the waiver of trade payables recorded in the first half of 2018 and increase in sales income of scrap materials.

Other gains and losses, net

Other gains and losses, net increased by 540.8% to RMB21.9 million (first half of 2017: RMB3.4 million), mainly attributable to an increase in the net foreign exchange loss and the impairment loss recognised on trade, bill and other receivables.

Government grants

During the review period, government grants decreased by 78.1% to RMB5.8 million (first half of 2017: RMB26.4 million), due to the decrease in recurring subsidies from the local government.

Distribution and selling expenses

Distribution and selling expenses increased by 1.6% to RMB234.8 million (first half of 2017: RMB231.0 million). The increase was mainly attributable to rising transportation and storage costs under higher sales volume.

FINANCIAL REVIEW – *CONTINUED*

Administrative expenses and other expenses

Administrative expenses increased by 12.3% to RMB170.3 million (first half of 2017: RMB151.6 million), mainly attributable to an increase in regulatory costs on environmental protection, depreciation charges on office premises and salaries and pension provision.

Other expenses, which represent the research and development expenditure, maintained at RMB30.6 million (first half of 2017: RMB30.6 million).

Finance costs

Finance costs rose by 49.7% to RMB26.9 million (first half of 2017: RMB17.9 million). The increase was mainly due to the rise of average balance of bank borrowings.

Income tax

The Group's income tax expense decreased by 38.1% to RMB43.4 million (first half of 2017: RMB70.1 million) and the effective tax rate is 19.8% (first half of 2017: 19.5%). The decrease in income tax expenses was mainly caused by the decline in operating profits.

Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2018 decreased by 39.0% to RMB176.1 million (first half of 2017: RMB288.9 million). If the deferred tax charges related to provision of withholding tax and net exchange loss (gain) arising from non-operating activities were excluded, the adjusted net profit of the Group for the six months ended 30 June 2018 would be RMB179.2 million, representing a decrease of RMB113.7 million or 38.8% when compared with the same period in the previous year.

FINANCIAL REVIEW – *CONTINUED*

Reconciliation of report profit and underlying profit

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Profit for the period	**176,119**	288,865
Deferred tax charges related to the provision of withholding tax	**2,588**	4,146
Net exchange loss (gain) arising from non-operating activities	**534**	(79)
Underlying profit for the period	**179,241**	292,932
Underlying profit for the period attributable to:		
Owners of the Company	**130,309**	216,954
Non-controlling interests	**48,932**	75,978
	179,241	292,932

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the period, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flow generated from operating activities and financial activities whereas the principal uses of cash were for the expansion of production capacity.

Bank balances and cash including bank deposits of the Group increased by RMB53.1 million from RMB757.0 million as at 31 December 2017 to RMB810.1 million as at 30 June 2018. The increase was due to the cash generated from operating activities of RMB219.9 million and financing activities of RMB106.9 million exceeding the cash used in investment activities of RMB273.7 million.

Borrowings were increased by RMB157.8 million or 16.6% to RMB1,110.8 million as at 30 June 2018 from RMB953.0 million as at 31 December 2017. The borrowings carried interest at market rates from 1.85% to 5.00% (first half of 2017: 1.85% to 5.00%) per annum and are repayable within one year from 30 June 2018.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – *CONTINUED*

As at 30 June 2018, the Group's current assets decreased by 4.2% to RMB6,711.3 million (31 December 2017: RMB7,004.8 million). Current liabilities decreased by 5.6% to RMB4,644.5 million (31 December 2017: RMB4,917.5 million). The Group's current ratio (being defined as current assets over current liabilities) increased to 1.45 times (31 December 2017: 1.42 times). The increase was mainly caused by the decrease in trade, bill and other payables. The gearing ratio (being defined as total debts to total assets) as at 30 June 2018 was 9.2% (31 December 2017: 7.7%).

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.

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. Accordingly, the Group was not exposed to significant foreign exchange risk. Therefore, the Group did not enter any financial derivative instruments to hedge against foreign exchange currency risk during the period under review. However, the Group is closely monitoring the impact of change in value of the Renminbi on its operations and may consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the six months ended 30 June 2018, capital expenditure for property, plant and equipment amounted to RMB215.9 million (first half of 2017: RMB271.7 million).

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had made a capital commitment of approximately RMB427.5 million (31 December 2017: RMB230.0 million) for acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated 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 2018 and 31 December 2017.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018 and 31 December 2017 respectively.

PLEDGE OF ASSETS

As at 30 June 2018, the Group pledged bank deposits of RMB89.0 million to a bank to secure bill payables of the Group (31 December 2017: RMB68.0 million).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2018 and 2017 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the six months ended 30 June 2018 and 2017 respectively.

HUMAN RESOURCES

As at 30 June 2018, the Group had approximately 7,000 full time employees (31 December 2017: approximately 7,000). Total staff costs including directors' remuneration for the six months ended 30 June 2018 was approximately RMB323.9 million (first half of 2017: approximately RMB299.7 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 2018, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union was RMB4.9 million (first half of 2017: RMB4.4 million).

According to the Social Insurance Regulations published by the State Council of China on 14 January 1999, the Group is required to make contributions to pension funds and insurance policies for its employees. Full-time employees of the Group in China are covered by the contributory pension scheme managed by the government entitling them to a monthly pension after they retire. The PRC government is responsible for crediting the pension to the retired and the Group is required to make annual contributions to the retirement scheme run by the Xinghua Municipality at a specified rate. The contribution is booked in due course as an operating expense of the Group. Under the scheme, no forfeited contributions are available to reduce the existing level of contributions. Apart from pension funds, the Group has provided medical, personal accident and unemployment insurance policies for its employees.

In 2009, the Board adopted a share award scheme to retain elite employees and encourage them to achieve performance goals by aligning their interests to the shareholders through share ownerships. Shares are to be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the selected employees until such shares are vested in them.

HUMAN RESOURCES – *CONTINUED*

In 2010, 5,000,000 shares of the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the "Third Batch Shares"). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the "Fourth Batch Shares"). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held under the trust in relation to the share award scheme were added to the Fourth Batch Shares. As at 30 June 2018, the balance of the Fourth Batch Shares was 7,883,011 shares.

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

PROSPECTS

The continuous implementation of supply-side structural reform in China has improved the structure of the domestic economy. Stepping into the third year of the "13th Five-year Plan", China will further expand the deployment of modern industry, pursue high quality development, realize the strategic "One Belt One Road" initiative and spur the growth of neighboring regional economies.

The stable performance of the macro economy and the introduction of favorable policies by the government will support the development of the radial tire cord industry in China. As the government of China has implemented policies governing the overrunning of trucks, it speeded up the replacement cycle of trucks, driving steady demand growths in the radial tires as well the radial tire cords. In recent years, as market competition has alleviated, the radial tire cord industry will continue its positive growth momentum in the long term.

Looking ahead, facing a complicated and ever-changing global economy and political environment, Xingda's management will keep an eye on the macroeconomic environment and market changes, adjust its development strategies in due course while formulating a comprehensive contingency plan. At the same time, Xingda will make use of its unique competitive advantages to enhance its core competitiveness and reinforce its presence as the leading radial tire cords manufacturer in China. At the same time, the Group will also strive to capture opportunities to create satisfactory and long-term returns for its shareholders.

INTERIM DIVIDEND

The board of directors of the Company does not recommend for the payment of interim dividend for the six months ended 30 June 2018.

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code"), were as follows:

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 30 June 2018 *(note 5)*
Liu Jinlan	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	612,428,000	41.253%
Liu Xiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 2)*	612,428,000	41.253%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 3)*	612,428,000	41.253%
Zhang Yuxiao	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 4)*	612,428,000	41.253%
Koo Fook Sun, Louis	Beneficial owner	250,000	0.017%
William John Sharp	Beneficial owner	250,000	0.017%
Xu Chunhua	Beneficial owner	50,000	0.003%

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

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

Notes:

1. Mr. Liu Jinlan held 22,916,000 shares in his own name as at 30 June 2018. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the prospectus of the Company dated 8 December 2006 (the "Prospectus")) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2018, Great Trade Limited held 238,148,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

2. Mr. Liu Xiang held 4,900,000 shares in his own name as at 30 June 2018. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2018, In-Plus Limited held 136,064,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

3. Mr. Tao Jinxiang held 4,464,000 shares in his own name as at 30 June 2018. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2018, Perfect Sino Limited held 112,229,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

4. Mr. Zhang Yuxiao held 1,900,000 shares in his own name as at 30 June 2018. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2018, Power Aim Limited held 40,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2018, i.e. 1,484,551,741 shares.

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

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

Name of Director	**Capacity**	**Associated corporation**	**Number of ordinary shares in associated corporation**	**Approximate percentage of ordinary registered capital shares in of the associated corporation as at 30 June 2018**
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,114.50	0.000074%

Save as disclosed above, as at 30 June 2018, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2018 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share award scheme for the six months ended 30 June 2018 are set out in note 20 to the condensed consolidated financial statements.

OTHER INFORMATION

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

As at 30 June 2018, the interests of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 30 June 2018 *(note 3)*
Great Trade Limited	Beneficial owner	238,148,000	16.04%
In-Plus Limited	Beneficial owner	136,064,000	9.17%
Perfect Sino Limited	Beneficial owner	112,229,000	7.56%
Hang Youming	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	612,428,000	41.25%
E-Star Corporation	Beneficial owner *(note 2)*	88,842,400	5.98%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 2)*	88,842,400	5.98%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 2)*	88,842,400	5.98%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation (note 2)	88,842,400	5.98%

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

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

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 10,357,000 shares in his own name as at 30 June 2018. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2018, Wise Creative Limited held 40,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. COFCO Corporation (formerly known as COFCO Limited) owned 100% of the issued share capital of COFCO (BVI) Limited, which in turn owned 100% of the issued share capital of COFCO (BVI) No. 88 Limited, which in turn owned 100% of the issued share capital of E-Star Corporation. As at 30 June 2018, E-Star Corporation held 88,842,400 shares in the Company. For the purpose of Part XV of the SFO, COFCO Corporation (formerly known as COFCO Limited), COFCO (BVI) Limited and COFCO (BVI) No. 88 Limited are deemed to be interested in the shares in the Company held by E-Star Corporation.

3. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2018, i.e. 1,484,551,741 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 30 June 2018 which are required to be recorded in the register maintained under section 336 of the SFO.

DEED OF NON-COMPETITION

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

DEED OF NON-COMPETITION – *CONTINUED*

The Company has received the declaration for the six months ended 30 June 2018 from Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder) in respect of their respective compliance with the terms of the Non-competition Deed.

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

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

CORPORATE GOVERNANCE PRACTICES

To promote high level of transparency, accountability and independence in the interests of the shareholders, the Company is committed to maintaining high standards of corporate governance.

The Company has applied the principles in and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018, except for the following:–

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

Code provision A.6.7 provides, among other things, that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 23 May 2018 as they had to attend other meetings or were engaged in other businesses and commitments. However, Mr. Koo, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the independent non-executive Directors was ensured.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished price-sensitive information.

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

For the six months ended 30 June 2018, the Company repurchased 1,844,000 shares through the Stock Exchange at a total consideration, after expenses, of approximately RMB4.7 million. Such shares have been cancelled up to the date of this interim report. Details of repurchases are as follows:

	Number of ordinary shares	**Repurchasing price for each share**		**Aggregate consideration paid repurchase**	
Month of repurchase	**repurchased**	**Highest**	**Lowest**		**Equivalent to**
		HK$	*HK$*	*HK$ Million*	*RMB Million*
January 2018	1,844,000	3.05	2.82	5.3	4.7

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 2018.

OTHER INFORMATION

USE OF PROCEEDS

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

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

Up to 30 June 2018, the Group has utilised approximately HKD693 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus	**Actual uses of funds up to 30 June 2018**	**Balance of net proceeds as at 30 June 2018**
	HKD'000	*HKD'000*	*HKD'000*
Expansion of the production capacity of the production facilities	550,000	550,000	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	17,495	52,505
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000
Set-up of international development departments	180,000	89,358	90,642
Working capital	37,000	37,000	–
Total	1,087,000	693,853	393,147

The remaining amount of approximately HKD393 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus.

USE OF PROCEEDS – *CONTINUED*

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010 were also placed in short term deposits with licensed banks in Hong Kong. As at 30 June 2018, all the net proceeds were utilised for enhancing the production facilities of a non-wholly owned subsidiary of the Company and financing the working capital.

AUDIT COMMITTEE

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

The Audit Committee of the Company together with the external auditor and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2018.

By Order of the Board
XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan
Chairman

Shanghai, the PRC, 29 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Revenue	4	**3,677,652**	3,215,739
Cost of sales		**(3,060,101)**	(2,498,247)
Gross profit		**617,551**	717,492
Other income	5	**80,588**	49,661
Other gains and losses, net	7	**(21,922)**	(3,421)
Government grants	6	**5,798**	26,421
Distribution and selling expenses		**(234,838)**	(231,042)
Administrative expenses		**(170,266)**	(151,642)
Other expenses		**(30,570)**	(30,600)
Finance costs		**(26,864)**	(17,940)
Profit before tax		**219,477**	358,929
Income tax expense	8	**(43,358)**	(70,064)
Profit and total comprehensive income for the period	9	**176,119**	288,865
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**127,187**	212,887
Non-controlling interests		**48,932**	75,978
		176,119	288,865
Earnings per share	11		
Basic (RMB fen)		**8.57**	14.50

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**As at 30 June 2018 (unaudited) RMB'000**	As at 31 December 2017 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,752,817**	3,817,310
Prepaid lease payments		**339,010**	342,575
Investment properties	12	**148,540**	148,540
Deposits paid for prepaid lease payments		**21,936**	–
Fixed bank deposits with more than three months to maturity when placed		**1,000,000**	1,000,000
Deferred tax assets		**15,772**	15,628
Prepayments	13	**31,463**	32,963
		5,309,538	5,357,016
CURRENT ASSETS			
Prepaid lease payments		**7,130**	7,130
Inventories		**708,565**	724,558
Trade, bill and other receivables	14	**5,096,557**	5,448,113
Pledged bank deposits		**89,000**	68,000
Bank balances and cash		**810,059**	756,985
		6,711,311	7,004,786
CURRENT LIABILITIES			
Trade, bill and other payables	15	**3,271,487**	3,925,184
Contract liabilities	16	**6,002**	–
Amount due to a related company		**3,935**	3,977
Dividend payables to non-controlling interests of a subsidiary		**25,432**	–
Dividend payables		**186,143**	–
Tax liabilities		**33,644**	28,342
Borrowings – due within one year	17	**1,110,828**	953,030
Government grants		**7,000**	7,000
		4,644,471	4,917,533
NET CURRENT ASSETS		**2,066,840**	2,087,253
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,376,378**	7,444,269

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	As at 30 June 2018 (unaudited) RMB'000	As at 31 December 2017 (audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,950**	11,436
NET ASSETS		**7,362,428**	7,432,833
CAPITAL AND RESERVES			
Share capital	18	**147,760**	147,923
Share premium and other reserves		**5,149,500**	5,219,404
Equity attributable to owners of the Company		**5,297,260**	5,367,327
Non-controlling interests		**2,065,168**	2,065,506
TOTAL EQUITY		**7,362,428**	7,432,833

The condensed consolidated financial statements on pages 23 to 56 were approved and authorised for issue by the Board of Directors on 29 August 2018 and are signed on its behalf by:

LIU JINLAN	**ZHANG YUXIAO**
DIRECTOR	*DIRECTOR*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company											
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Special reserve** *RMB'000* *(Note a)*	**Capital contribution reserve** *RMB'000* *(Note b)*	**Statutory common reserve** *RMB'000* *(Note c)*	**Capital redemption reserve** *RMB'000*	**Retained profits** *RMB'000*	**Shares held under share-award scheme** *RMB'000*	**Awarded shares compensation reserve** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2017 (audited)	146,365	421,822	285,126	(130,150)	666,347	6,696	3,844,875	(36,275)	23,494	5,228,300	2,020,275	7,248,575
Profit and total comprehensive income for the period	–	–	–	–	–	–	212,887	–	–	212,887	75,978	288,865
Dividend recognised as distribution *(note 10)*	–	(197,031)	–	–	–	–	–	–	–	(197,031)	–	(197,031)
Dividend to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	(45,690)	(45,690)
Shares vested under the share-award scheme	–	–	–	–	–	–	2,456	16,203	(18,659)	–	–	–
Recognition of equity-settled share based payments *(note 20)*	–	–	–	–	–	–	–	–	3,972	3,972	–	3,972
At 30 June 2017 (unaudited)	146,365	224,791	285,126	(130,150)	666,347	6,696	4,060,218	(20,072)	8,807	5,248,128	2,050,563	7,298,691
At 1 January 2018 (audited)	147,923	264,802	285,126	(130,150)	710,867	7,150	4,089,720	(20,072)	11,961	5,367,327	2,065,506	7,432,833
Adjustment (see Note 3)	–	–	–	–	–	–	(9,066)	–	–	(9,066)	(3,580)	(12,646)
At 1 January 2018 (restated)	147,923	264,802	285,126	(130,150)	710,867	7,150	4,080,654	(20,072)	11,961	5,358,261	2,061,926	7,420,187
Profit and total comprehensive income for the period	–	–	–	–	–	–	127,187	–	–	127,187	48,932	176,119
Dividend recognised as distribution *(note 10)*	–	(186,143)	–	–	–	–	–	–	–	(186,143)	–	(186,143)
Dividend to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	(45,690)	(45,690)
Repurchase of ordinary shares *(note 18)*	(163)	(4,517)	–	–	–	163	(163)	–	–	(4,680)	–	(4,680)
Shares vested under the share-award scheme	–	–	–	–	–	–	2,456	8,021	(10,477)	–	–	–
Recognition of equity-settled share based payments *(note 20)*	–	–	–	–	–	–	–	–	2,635	2,635	–	2,635
At 30 June 2018 (unaudited)	**147,760**	**74,142**	**285,126**	**(130,150)**	**710,867**	**7,313**	**4,210,134**	**(12,051)**	**4,119**	**5,297,260**	**2,065,168**	**7,362,428**

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

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

Note c: According to the Articles of Association of the subsidiaries established in the Peoples' Republic of China (the "PRC") they are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**219,477**	358,929
Depreciation and amortisation	**266,121**	264,089
Decrease (increase) in inventories	**15,993**	(181,599)
Decrease (increase) in trade, bill and other receivables	**351,556**	(477,168)
(Decrease) increase in trade, bill and other payables	**(621,041)**	382,308
Increase in contract liabilities	**6,002**	–
Income taxes paid	**(35,686)**	(63,209)
Other operating cash flows	**17,482**	(27,714)
NET CASH FROM OPERATING ACTIVITIES	**219,904**	255,636
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(234,261)**	(124,677)
Proceeds on disposal of property, plant and equipment	**1,826**	1,527
Interest received	**1,675**	1,689
Placement of pledged bank deposits	**(75,000)**	(20,000)
Deposits paid for prepaid lease payments	**(21,936)**	(13,307)
Withdrawal of pledged bank deposits	**54,000**	69,500
NET CASH USED IN INVESTING ACTIVITIES	**(273,696)**	(85,268)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**452,000**	167,983
Repayments of bank and other borrowings	**(294,202)**	(130,668)
Interest paid	**(25,994)**	(18,341)
Dividend paid to non-controlling interests of a subsidiary	**(20,258)**	(18,858)
Payment on repurchase of ordinary shares	**(4,680)**	–
NET CASH FROM FINANCING ACTIVITIES	**106,866**	116
NET INCREASE IN CASH AND CASH EQUIVALENTS	**53,074**	170,484
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**756,985**	480,170
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**810,059**	650,654

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfer of Investment Property

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the sales of radial tire cords, bead wires and other wires.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. In accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under IFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers – *Continued*

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 – Continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Under IFRS 15, revenue from sales of product is recognised when products are delivered and customer acceptance has been obtained, which is the point of time when the control of the products had been transferred and customer has the ability to direct the use of the product and obtain substantially all of the remaining benefit of the products.

3.1.2 Summary of effects arising from initial application of IFRS 15

As at 1 January 2018, the Group has trade deposits received from customers amounted to RMB4,528,000 previously included in trade and other payables were reclassified to contract liabilities. The impacts from the application of IFRS 15 thereof are detailed in Note 3.3.

The following table summarise the impact of applying IFRS 15 on the Group's condensed consolidated statement of financial position on at 30 June 2018 for each of the line items affect. Line items that were not affected by the changes have not been included.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers – *Continued*

3.1.2 Summary of effects arising from initial application of IFRS 15 – Continued

Impact on the condensed consolidated statement of financial position.

Current liabilities	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Trade, bill and other payables	3,271,487	(6,002)	3,277,489
Contract liabilities	6,002	6,002	–

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *Continued*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 – Continued

Classification and measurement of financial assets – *Continued*

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *Continued*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 – Continued

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade, bill and other receivables, fixed bank deposits with more than three months to maturity when placed, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bill receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings of receivables that share similar credit risk characteristics.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *Continued*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 – Continued

Impairment under ECL model – *Continued*

Significant increase in credit risk – *Continued*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *Continued*

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 – Continued

Impairment under ECL model – *Continued*

Measurement and recognition of ECL – *Continued*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the measurement (including impairment) of financial assets subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	**Amortised cost (previously classified as loans and receivables)**	**Retained profits**	**Non-controlling interests**
		RMB'000	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 (audited) – IAS 39		7,220,765	4,089,720	2,065,506
Effect arising from initial application of IFRS 9:				
Remeasurement				
Impairment under ECL model	(a)	(12,646)	(9,066)	(3,580)
Opening balance at 1 January 2018		7,208,119	4,080,654	2,061,926

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments – *Continued*

3.2.2 Summary of effects arising from initial application of IFRS 9 – Continued

Notes:

(a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and bill receivables. To measure the ECL, trade and bill receivables have been grouped based on shared credit risk characteristics. The Group has therefore concluded that the expected loss rates for the trade and bill receivables are reasonable.

Loss allowances for other financial assets at amortised cost mainly comprise of fixed bank deposits with more than three months to maturity when placed, other receivables, pledged bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB12,646,000 has been recognised against retained profits and non-controlling interests. The additional loss allowance is charged against the trade and bill receivables.

All loss allowance for trade and bill receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Trade and bill receivables *RMB'000*
At 31 December 2017 – IAS 39	82,288
Amounts remeasured through opening retained profits and non-controlling interests	12,646
At 1 January 2018	94,934

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 *(Audited)* *RMB'000*	Impact on adoption of IFRS 15 *RMB'000*	Impact on adoption of IFRS 9 *RMB'000*	1 January 2018 *(Restated)* RMB'000
Non-current assets				
Property, plant and equipment	3,817,310	–	–	3,817,310
Prepaid lease payments	342,575	–	–	342,575
Investment properties	148,540	–	–	148,540
Fixed bank deposits with more than three months to maturity when placed	1,000,000	–	–	1,000,000
Deferred tax assets	15,628	–	–	15,628
Prepayments	32,963	–	–	32,963
	5,357,016			5,357,016
Current assets				
Prepaid lease payments	7,130	–	–	7,130
Inventories	724,558	–	–	724,558
Trade, bill and other receivables	5,448,113	–	(12,646)	5,435,467
Pledged bank deposits	68,000	–	–	68,000
Bank balances and cash	756,985	–	–	756,985
	7,004,786			6,992,140

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards – *Continued*

	31 December 2017 *(Audited)* RMB'000	Impact on adoption of IFRS 15 RMB'000	Impact on adoption of IFRS 9 RMB'000	1 January 2018 *(Restated)* RMB'000
Current liabilities				
Trade, bills and other payables	3,925,184	(4,528)	–	3,920,656
Contract liabilities	–	4,528	–	4,528
Amount due to a related company	3,977	–	–	3,977
Tax liabilities	28,342	–	–	28,342
Borrowings – due within one year	953,030	–	–	953,030
Government grants	7,000	–	–	7,000
	4,917,533			4,917,533
Net current assets	2,087,253			2,074,607
Total assets less current liabilities	7,444,269			7,431,623
Non-current liabilities				
Deferred tax liabilities	11,436	–	–	11,436
Net assets	7,432,833			7,420,187
Capital and Reserves				
Share capital	147,923	–	–	147,923
Reserves	5,219,404	–	(9,066)	5,210,338
	5,367,327			5,358,261
Non-controlling interests	2,065,506	–	(3,580)	2,061,926
Total Equity	7,432,833			7,420,187

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

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

	Six months ended 30 June 2018 *(Unaudited)* *RMB'000*
Sale of products	
Radial Tire Cords	
– For trucks	**2,198,808**
– For passenger cars	**1,038,029**
Bead wires and other wires	**440,815**
	3,677,652
Timing of revenue recognition	
A point in time	**3,677,652**

The contracts for sales of goods to external customers are short-term and the contract prices are fixed.

The Group's customers were tyre manufacturers in the PRC and other countries.

4. REVENUE AND SEGMENT INFORMATION – *CONTINUED*

Disaggregation of revenue – *Continued*

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 information about its non-current assets (other than deferred tax assets) by geographical locations of the assets are details below:

	As at 30 June 2018	As at 31 December 2017
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
PRC	**5,227,471**	5,275,093
Thailand	**66,295**	66,295
	5,293,766	5,341,388

Geographical information

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
The PRC (country of domicile)	**2,790,942**	2,430,879
Asia (excluding PRC)	**439,657**	400,022
North America	**188,384**	168,351
Europe	**148,130**	116,042
South America	**88,605**	84,102
Others	**21,934**	16,343
	3,677,652	3,215,739

4. REVENUE AND SEGMENT INFORMATION – *CONTINUED*

Disaggregation of revenue – *Continued*

"Others" included revenue from various countries which are individually less than 10% of the Group's total revenue.

No customers contributes over 10% of the total revenue of the Group for the six months ended 30 June 2018 and 2017.

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Sales of scrap materials	**27,446**	23,648
Interest income earned on bank balances and bank deposits	**19,637**	17,879
Rental income from investment properties, net	**2,808**	2,516
Waiver of trade payables *(Note)*	**24,811**	–
Sundry income	**5,886**	5,618
	80,588	49,661

Note: The amount represented the waiver of outstanding trade payable to a supplier based on the decision of the court for the poor quality of goods supplied.

6. GOVERNMENT GRANTS

Government grants recognised in the condensed consolidated statement of profit or loss and other comprehensive income represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products received with no future related cost or without any conditions, amounting to approximately RMB5,798,000 (for the six months ended 30 June 2017: RMB26,421,000).

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Impairment losses recognised on trade and other receivables	**6,639**	3,597
Net foreign exchange loss	**15,596**	345
Loss on disposal of property, plant and equipment	**846**	591
Impairment loss reversed on trade and other receivables	**(1,159)**	(1,112)
	21,922	3,421

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Current tax		
Current period	**39,705**	65,225
Underprovision in prior year	**1,283**	897
Deferred tax	**2,370**	3,942
	43,358	70,064

Current tax provision represents provision for PRC Enterprise Income tax ("PRC EIT") which is calculated at the rate prevailing on the taxable income of the group entities in the PRC. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate for certain PRC subsidiaries is 25% from 1 January 2008 onwards, except for the subsidiary described below.

8. INCOME TAX EXPENSE – *CONTINUED*

In accordance with the High-tech Enterprise Certificate issued on 6 July 2015, the status of High-tech Enterprise for Jiangsu Xingda is effective for the years 2015, 2016 and 2017 which expired on 6 July 2018. On 19 June 2018, Jiangsu Xingda had applied to renew its High-tech Enterprise Certificate with the relevant authorities. 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 2018 and 2017, as well as the year ended 31 December 2017.

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

In the current interim period, a deferred tax charge of approximately RMB4,061,000 (2017: RMB4,146,000) was provided in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of Jiangsu Xingda Special Cord Co. Ltd. The aggregate amount of taxable temporary differences associated with undistributed earnings of other subsidiaries for which deferred tax liabilities have not been recognised was RMB3,220,362,000 (31 December 2017: RMB3,110,000,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**262,556**	260,607
Amortisation of prepaid lease payments	**3,565**	3,482
Research and development expenditure (included in other expenses)	**30,570**	30,600

10. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend in respect of the year ended 31 December 2017 – 15.0 HK cents per share (2017: final dividend in respect of the year ended 31 December 2016 – 15.0 HK cents per share)	**186,143**	197,031

During the current interim period, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB186,143,000 for the year ended 31 December 2017 was approved at the annual general meeting of the Company held on 23 May 2018.

The directors of the Company have determined that no dividend will be paid in respect of the 2018 interim period (2017: Nil).

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company	**127,187**	212,887
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,484,617**	1,468,447

No diluted earnings per share for both six months period ended 30 June 2018 and 2017 were presented as there were no potential ordinary shares outstanding during both periods.

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

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately RMB2,672,000 (for the six months ended 30 June 2017: RMB2,118,000) for cash proceeds of approximately RMB1,826,000 (for the six months ended 30 June 2017: RMB1,527,000), resulting in a loss on disposal of RMB846,000 (for the six months ended 30 June 2017: RMB591,000).

In addition, during the period the Group spent approximately RMB215,851,000 (for the six months ended 30 June 2017: RMB271,719,000) on the construction of its manufacturing plant in the PRC and acquisition of other plant and equipment in order to upgrade its manufacturing capabilities. No borrowing costs has been capitalised in these carrying amounts during the period (for the six months ended 30 June 2017: Nil).

No impairment loss was recognised during the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of a valuation carried out on 31 December 2017 by Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group.

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

The key inputs used in valuing the investment properties were the market yield 5% (31 December 2017: 5%) and rental. Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

The fair value of investments properties at 30 June 2018 were assessed by the Group by adopting the direct comparison approach and the income capitalisation approach and with reference to recent transactions for similar premises as far as practicable.

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 3
	RMB'000
Office premises located in Shanghai	148,540

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

13. PREPAYMENTS

The amounts represents the prepayment of road maintenance and management fee of approximately RMB34,463,000 (31 December 2017: RMB35,963,000) for a period of 11.49 (2017: 11.99) years. As at 30 June 2018, an amount of RMB3,000,000 (31 December 2017: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as an expenses within twelve months after the reporting date while the remaining RMB31,463,000 (31 December 2017: RMB32,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

14. TRADE, BILL AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers.

	As at 30 June 2018	As at 31 December 2017
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Trade receivables	**2,787,555**	2,503,530
Less: Allowance of doubtful debts	**(100,414)**	(82,288)
	2,687,141	2,421,242
Bill receivables	**2,297,725**	2,928,758
	4,984,866	5,350,000
Advances to raw material suppliers	**15,049**	8,567
Prepayment for spools	**12,784**	15,130
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**63,742**	45,780
Other receivables and prepayments	**25,757**	34,277
Less: Allowance for doubtful debts on other receivables	**(5,641)**	(5,641)
	111,691	98,113
	5,096,557	5,448,113

14. TRADE, BILL AND OTHER RECEIVABLES – *CONTINUED*

The following is an aged analysis of trade and bill 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:

	As at 30 June 2018	As at 31 December 2017
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,928,568**	1,987,063
91 – 120 days	**273,186**	241,601
121 – 180 days	**275,437**	141,125
181 – 360 days	**209,950**	49,297
Over 360 days	**–**	2,156
	2,687,141	2,421,242
Bill receivables		
0 – 90 days	**312,495**	199,392
91 – 180 days	**920,062**	1,077,549
181 – 360 days	**1,011,790**	1,468,549
Over 360 days	**53,378**	183,268
	2,297,725	2,928,758

For the trade and bill receivables overdue 120 days, the directors of the Company are of the opinion that no additional provision is necessary on the basis that periodic payments have been received from the counterparties, no loss have been experienced in the past as well as no adverse change is anticipated in the business environment.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The exposure to credit risk and ECL for trade and bills receivables are assessed collectively based on provision matrix. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the current interim period, the Group provided RMB6,639,000 impairment allowance based on the provision matrix and a reversal of impairment loss on trade receivables amounted to RMB1,159,000.

15. TRADE, BILL AND OTHER PAYABLES

	As at 30 June 2018 (unaudited) RMB'000	As at 31 December 2017 (audited) RMB'000
Trade payables	**2,097,656**	2,779,281
Bill payables	**495,000**	340,000
	2,592,656	3,119,281
Value-added tax payables and other tax payables	**50,737**	60,425
Accrued staff costs and pension	**127,714**	210,197
Payables for purchase of property, plant and equipment	**409,425**	442,951
Accrued interest expense	**1,997**	1,127
Accrued electricity charges	**25,750**	30,350
Others	**63,208**	60,853
	678,831	805,903
	3,271,487	3,925,184

15. TRADE, BILL AND OTHER PAYABLES – *CONTINUED*

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

	As at 30 June 2018	As at 31 December 2017
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Trade payables		
0 – 90 days	**1,409,936**	1,327,866
91 – 180 days	**331,267**	1,039,377
181 – 360 days	**265,887**	331,298
Over 360 days	**90,566**	80,740
	2,097,656	2,779,281
Bill payables		
91 – 180 days	**495,000**	–
181 – 360 days	**–**	340,000
	495,000	340,000

16. CONTRACT LIABILITIES

The amount represented the trade deposits received from customers, which will be recognised as the Group's revenue when the control of the goods transferred to customers. The amounts are classified as current liabilities as they are expected to be recognised as revenue within twelve months after the reporting date.

17. BORROWINGS

	As at 30 June 2018 ***(unaudited)*** ***RMB'000***	As at 31 December 2017 *(audited)* *RMB'000*
Bank loans	**1,108,328**	950,530
Other loans	**2,500**	2,500
	1,110,828	953,030
Secured	**428,328**	400,530
Unsecured	**682,500**	552,500
	1,110,828	953,030

During the current period, new other loan was borrowed (for the six months ended 30 June 2017: RMB600,000) from a financial institute in Xinghua City, the PRC, an independent third party. The other loans are unsecured, carried interest at a fixed monthly rate of 0.326% (2017: 0.417%) and are repayable in one year. The proceeds were used as working capital. No repayment of other loans (for the six months ended 30 June 2017: RMB1,200,000) during the period.

During the current period, the Group obtained new bank borrowings amounting to RMB452,000,000 (for the six months ended 30 June 2017: RMB167,383,000). The loans carry interest at market rates. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB294,202,000 (for the six months ended 30 June 2017: RMB129,468,000) during the period.

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

	30 June 2018	31 December 2017
Effective interest rates:		
Fixed-rate borrowings	**2.92% – 5.00%**	2.92% – 4.35%
Variable-rate borrowings	**1.85% – 3.00%**	2.82% – 3.92%

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

18. SHARE CAPITAL

	Number of shares		Share capital	
	30 June	31 December	**30 June**	31 December
	2018	2017	**2018**	2017
	'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	**1,486,396**	1,468,447	**147,923**	146,365
Issue of scrip shares	**–**	23,347	**–**	2,012
Shares repurchased and cancelled *(Note)*	**(1,844)**	(5,398)	**(163)**	(454)
At end of period	**1,484,552**	1,486,396	**147,760**	147,923

Note: During the interim review period, the Company repurchased its own shares through the Stock Exchange of 1,844,000 shares at a total consideration of approximately HK$5,293,000 (equivalent to RMB4,680,000). These shares were cancelled subsequently after their repurchase.

19. CAPITAL COMMITMENTS

	As at 30 June 2018	As at 31 December 2017
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**427,480**	230,035

20. SHARE-AWARD SCHEME

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

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

	Number of shares		
	Awarded share granted in 2013 *(Note 2)*	**Awarded shares granted in 2016** *(Note 3)*	**Total**
Outstanding as at 1 January 2018	3,333,332	10,000,000	13,333,332
Awarded during the period *(Note 1)*	–	–	–
Vested during the period	(3,333,332)	–	(3,333,332)
Outstanding as at 30 June 2018	–	10,000,000	10,000,000

Note 1: No shares were granted during the period.

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

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

The Group recognised the total expenses of approximately RMB2,635,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB3,972,000) in relation to shares granted under the Scheme by the Company.

21. RELATED PARTY TRANSACTIONS

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

			Six months ended 30 June	
Name of related party	**Nature of transaction**	*Note*	**2018**	2017
			(unaudited)	*(unaudited)*
			RMB'000	*RMB'000*
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Services fee for hotel and catering services	(a)	**2,957**	3,677

Note:

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

Compensation of key management personnel

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Short-term benefits	**20,967**	21,965
Post-employment benefit	**37**	37
Share-based payments	**2,230**	3,369
	23,234	25,371

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

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.