



XINGDA INTERNATIONAL HOLDINGS LIMITED

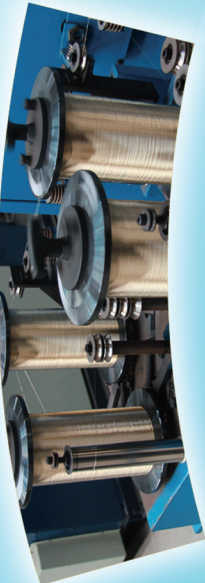
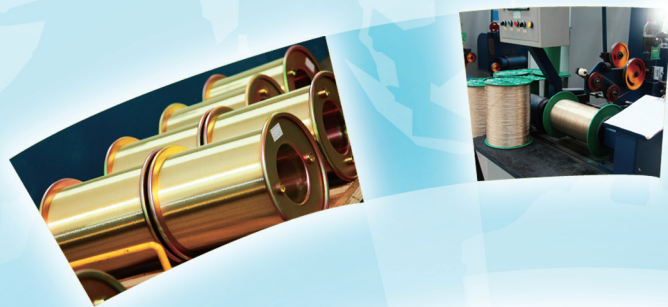
興達國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)

Interim Report

2013



Contents

	<i>Page(s)</i>
Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	11
Report on Review of Condensed Consolidated Financial Statements	19
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	23
Notes to the Condensed Consolidated Financial Statements	24

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. WU Xiaohui

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis
Mr. William John SHARP
Ms. XU Chunhua

AUDIT COMMITTEE

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

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:
Deacons

AUDITORS

Deloitte Touche Tohmatsu

INVESTOR RELATIONS

Strategic Financial Relations (China) Limited
Unit A, 29th 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

Room 3506, 35th Floor
Central Plaza, 18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch:

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

01899

WEBSITE

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

Financial Highlights

	Six months ended 30 June		
	2013	2012	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
OPERATING RESULTS			
Revenue	2,708.8	2,763.7	-2.0%
Gross profit	671.0	568.0	+18.1%
EBITDA ⁽¹⁾	613.0	499.2	+22.8%
Profit for the period	293.0	193.8	+51.2%
Profit attributable to owners of the Company	207.1	149.3	+38.7%
Earnings per share – basic (RMB fen)	13.58	9.79	+38.7%

	30.6.2013	31.12.2012	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
FINANCIAL POSITION			
Total assets	9,532.8	9,363.2	+1.8%
Total liabilities	3,125.0	3,052.7	+2.4%
Net assets	6,407.8	6,310.5	+1.5%
Equity attributable to owners of the Company	4,810.4	4,799.0	+0.2%

	Six months ended 30 June	
	2013	2012
KEY RATIOS		
Gross profit margin ⁽²⁾	24.8%	20.6%
EBITDA margin ⁽³⁾	22.6%	18.1%
Return on equity ⁽⁴⁾	4.3%	3.1%
	30.6.2013	31.12.2012
Current ratio ⁽⁵⁾	1.65	1.60
Gearing ratio ⁽⁶⁾	9.5%	12.7%
Net debts to equity ratio ⁽⁷⁾	10.5%	13.9%

Notes:

- (1) It is arrived at profit for the period before finance costs, income tax expense, depreciation and amortization.
- (2) Gross profit divided by revenue.
- (3) EBITDA divided by revenue.
- (4) Profit for the period attributable to owners of the Company divided by equity attributable to owners of the Company.
- (5) Current assets divided by current liabilities.
- (6) Total debts (bank borrowings) divided by total assets.
- (7) Total debts (bank borrowings) less cash and bank balances divided by equity attributable to owners of the Company.

Management Discussion and Analysis

We are pleased to present the unaudited interim results of Xingda International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group” or “Xingda”) for the six months ended 30 June 2013.

During the first half of 2013, the Group’s revenue decreased by 2.0% to RMB2,708.8 million (first half of 2012: RMB2,763.7 million), while gross profit rose by 18.1% to RMB671.0 million (first half of 2012: RMB568.0 million). Although average selling prices of the Group’s products had been under moderate downward pressure since the second half of 2012, the gross profit margin improved by 4.2 percentage points to 24.8% (first half of 2012: 20.6%), which was mainly attributable to a decline in raw material costs and a higher utilization rate. Profit attributable to shareholders surged 38.7% to RMB207.1 million (first half of 2012: RMB149.3 million), bolstered by a rebound in the radial tire cord demand in domestic market and reduced finance costs. Basic earnings per share were RMB13.58 fen, representing a year-on-year increase of 38.7%. The Board does not recommend payment of an interim dividend for the six months ended 30 June 2013.

Underpinned by the recovery of property development and infrastructure construction, China’s truck tire replacement market saw a moderate and sustainable rebound during the first half of 2013, reversing the downtrend seen in the second half of 2012. On the other hand, continued sales growth of passenger vehicles in China and rising U.S. demand for Chinese radial tires as the three-year anti-dumping measures imposed on exports of China’s low-end radial tire for passenger cars exports expired at the end of September 2012 were the major growth drivers for passenger car tires production in China during the first half of 2013.

According to the China Association of Automobile Manufacturers, during the first half of 2013, China’s total production volume of automobile increased by 12.8% compared with the same period in 2012. During the period under review, the tire output recorded a modest growth of 14% to approximately 228 million units, of which approximately 200 million units or 88% were radial tires, according to the data provided by China Rubber Industry Association.

BUSINESS REVIEW

Benefitting from the recovery of China’s radial tire industry, the sales performance of Xingda was stabilised in the first half of 2013, with total sales volume rising by 8.0% year-on-year to 262,100 tonnes. More specifically, the sales volume of radial tire cords climbed 10.2% to 227,400 tonnes, while the sales volume of bead wires maintained at 32,600 tonnes. The two products accounted for 86.8% and 12.4% of the Group’s total sales volume, respectively (first half of 2012: 85.1% and 13.4%). The sales volume of sawing wires was 2,100 tonnes, contributing 0.8% to the Group’s total sales volume (first half of 2012: 1.5%).

The sales volume of the Group’s major product – radial tire cords for trucks – increased by 11.6% to 150,500 tonnes, thanks to the increasing replacement demand for truck tires, while the sales volume of radial tire cords for passenger cars increased by 7.6% to 76,900 tonnes, which was supported in part by the growing number of sedan in China. During the period, radial tire cords for trucks and for passenger cars accounted for 66.2% and 33.8% of the Group’s total sales volume of radial tire cords, respectively (first half of 2012: 65.4% and 34.6%).

Management Discussion and Analysis

BUSINESS REVIEW – CONTINUED

SALES VOLUME

	Six months ended 30 June		
	2013	2012	Change
	Tonnes	Tonnes	
Radial Tire Cords	227,400	206,400	+10.2%
– For Trucks	150,500	134,900	+11.6%
– For Passenger Cars	76,900	71,500	+7.6%
Bead Wires	32,600	32,600	–
Sawing Wires	2,100	3,700	–43.2%
Total	262,100	242,700	+8.0%

As an industry leader in China with a strong customer base, Xingda has been able to take full advantage of the rebound in the domestic market demand, which contributed approximately 80.5% to the Group's total sales. An additional highlight is that the Group has achieved a better product mix in export sales, with radial tire cords for trucks accounting for a higher portion in the first half of the year. It is expected that export sales will make a higher profit contribution to Xingda when the Group completes more products certification in cooperation with major overseas customers.

During the first half of 2013, the Group benefited from the decline in prices of raw materials, particularly the price of steel wire rods, the Group's major raw material, which has more than compensated for the drop in average selling prices. The proportion of the cost of steel wire rods to the total cost of sales was lowered to 54.2% during the period (first half of 2012: 57.0%).

Xingda has accelerated its expansion plans to meet growing market demand for radial tire cords. During the period under review, the construction of the Shandong plant has been proceeding at a faster pace and is expected to commence trial run in the fourth quarter of 2013. The new capacity from the Shandong plant aims for the demand growth in the domestic market in medium term. As at 30 June 2013, the Group had an annual production capacity for radial tire cords, sawing wires and bead wires of 500,000 tonnes, 12,000 tonnes and 100,000 tonnes, respectively. The production capacity of the Group remained unchanged since the first half of 2011. The overall utilisation rate and the utilisation rate in the production of radial tire cords have further climbed to 84.1% and 89.1%, respectively, in the first half of 2013 (first half of 2012: 80.6% and 84.0%, respectively).

In order to expand its business and diversify its product portfolio and accommodate the different requirements of a wider variety of clients, Xingda has developed 2 types of radial tire cords, 3 types of bead wires and 1 type of sawing wire during the period under review. As at 30 June 2013, the Group provided a product mix consisting of 175 types of radial tire cords, 66 types of bead wires and 12 types of sawing wires (first half of 2012: 171 types of radial tire cords, 63 types of bead wires and 9 types of sawing wires).

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

The Group's revenue according to product categories is as follows:

<i>RMB in million</i>	Six months ended 30 June				
	2013	Proportion (%)	2012	Proportion (%)	Change (%)
Radial Tire Cords	2,474.9	91	2,461.4	89	+0.5
– For Trucks	1,682.0	62	1,659.6	60	+1.3
– For Passenger Cars	792.9	29	801.8	29	–1.1
Bead Wires	189.4	7	198.2	7	–4.4
Sawing Wires	44.5	2	104.1	4	–57.3
Total	2,708.8	100	2,763.7	100	–2.0

Radial tire cords for trucks, which contributed RMB1,682.0 million and 62.1% to the Group's revenue in the first half of 2013, remained as the main product line of the Group. With the expanding overseas market and growing domestic market, revenue from radial tire cords for passenger cars recorded a revenue of RMB792.9 million, while the revenue for bead wires and sawing wires was RMB189.4 million and RMB44.5 million, respectively. During the first half of 2013, the Group's total revenue decreased slightly by 2.0% or RMB54.9 million to RMB2,708.8 million from RMB2,763.7 million in the first half of 2012 as a result of the lower average product selling prices outweighing the sales volume growth.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by 18.1% or RMB103.0 million to RMB671.0 million in the first half of 2013 (first half of 2012: RMB568.0 million), while gross profit margin expanded to 24.8% (first half of 2012: 20.6%), which was attributable to the decline in raw materials cost and higher utilization rate.

OTHER INCOME

Other income decreased by RMB11.5 million or 30.8% from RMB37.3 million in the first half of 2012 to RMB25.8 million for the period under review. The decrease was mainly caused by the decrease in sale of scrap materials.

GOVERNMENT GRANTS

Government grants for the period increased by 22.2 times from RMB0.5 million in the first half of 2012 to RMB11.6 million, thanks to the increase in recurring subsidies from the local government.

Management Discussion and Analysis

FINANCIAL REVIEW – CONTINUED

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB9.5 million or 5.4% from RMB176.7 million in the first half of 2012 to RMB167.2 million for the period under review. The decrease was mainly caused by effective cost control on transportation costs.

ADMINISTRATIVE EXPENSES AND OTHER GAINS, LOSSES AND EXPENSES

Administrative expenses for the six months ended 30 June 2013 increased by RMB27.4 million or 26.9% to RMB129.3 million when compared to the same period of 2012. The increase was mainly due to an increase in staff costs and the cost of the Group's long term incentive programme (share award benefits) for the senior management. Other gains, losses and expenses decreased by RMB15.0 million or 40.8% from RMB36.8 million in the first half of 2012 to RMB21.8 million in the first half of 2013. The decrease was mainly due to the reduction of the impairment loss recognised on trade and other receivables during the period.

FINANCE COSTS

Finance costs dropped by RMB23.8 million or 41.5% to RMB33.5 million from RMB57.3 million in the same period of 2012. The drop was mainly due to the decrease in average bank borrowings in the first half of 2013.

INCOME TAX

The Group had an income tax charge of RMB65.3 million with an effective tax rate at 18.2% (first half of 2012: RMB43.1 million and 18.2%) for the first half of 2013.

NET PROFIT

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2013 increased by RMB99.2 million or 51.2% from RMB193.8 million in the first half of 2012 to RMB293.0 million.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the period, there was no change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flows generated from operating activities whereas the principal uses of cash were repayment of bank loans, payment of dividends and acquisition of plant and machinery.

Bank balances and cash of the Group decreased by RMB115.0 million from RMB521.4 million as at 31 December 2012 to RMB406.4 million as at 30 June 2013. The decrease was due to the cash used in financing activities of RMB499.7 million and investment activities of RMB229.4 million exceeding the cash generated from operating activities of RMB614.1 million.

Bank borrowings which were denominated in renminbi were reduced by RMB280.0 million or 23.5% to RMB910.0 million as at 30 June 2013 from RMB1,190.0 million as at 31 December 2012. The bank borrowings carried interest at market rates from 5.32% to 6.00% (first half of 2012: 5.61% to 7.93%) and were repayable within one year.

Management Discussion and Analysis

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – CONTINUED

The Group's current assets increased by 5.9% to RMB5,076.5 million as at 30 June 2013 from RMB4,793.2 million as at 31 December 2012. Its current liabilities increased by 2.8% from RMB2,993.6 million as at 31 December 2012 to RMB3,077.8 million as at 30 June 2013. The Group's current ratio (being defined as current assets over current liabilities) rose to 1.65 times as at 30 June 2013 from 1.60 times as at 31 December 2012. The gearing ratio (being defined as total debts to total assets) decreased from 12.7% as at 31 December 2012 to 9.5% as at 30 June 2013 due to decrease in bank borrowings.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in renminbi, U.S. dollars and euro. Since more than half of the sales proceeds in U.S. dollars and euro had been used to purchase imported raw materials in the same currencies, the appreciation of the renminbi did not have significant negative impact to the operations of the Group in the first half of 2013.

Apart from certain bank and debtors' balances in Hong Kong dollars, U.S. dollars and euro, almost all of the assets and liabilities of the Group were denominated in renminbi, therefore the Group was not exposed to significant foreign exchange risk. Thus, during the period under review, exchange rate fluctuation had not caused material adverse impact on the operation or liquidity of the Group. Accordingly, the Group did not enter into any financial derivative instruments to hedge against foreign exchange currency exposure during the period under review. However, the Group will closely monitor the impact of change in value of renminbi on its operation and consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the six months ended 30 June 2013, capital expenditure of the Group for property, plant and equipment amounted to RMB94.4 million (for the six months ended 30 June 2012: RMB228.4 million).

CAPITAL COMMITMENTS

As at 30 June 2013, the Group had capital commitment of approximately RMB220.5 million (31 December 2012: RMB113.1 million) for acquisition of property, plant and equipment contracted for but not provided in the financial statements. The Group did not have any capital commitment for acquisition of property, plant and equipment authorised but not contracted as at 30 June 2013 and 31 December 2012.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2013 and 31 December 2012 respectively.

PLEDGE OF ASSETS

As at 30 June 2013, the Group pledged bank deposits of RMB123.5 million to a bank to secure notes payables of the Group (31 December 2012: RMB58.0 million).

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

The Group had no significant external investments for the six months ended 30 June 2013 and 2012.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the six months ended 30 June 2013 and 2012.

HUMAN RESOURCES

As at 30 June 2013, the Group had approximately 6,600 (31 December 2012: approximately 6,700) full time employees. Total staff costs including directors' remuneration for the six months ended 30 June 2013 were approximately RMB231.5 million (first half of 2012: approximately RMB208.7 million). Salaries were 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 programmes for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union, are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2013, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB4.1 million (first half of 2012: RMB3.4 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 state entitling them to a monthly pension after they retire. The PRC Government is responsible for crediting the pension to the retired and the Group is required to make annual contributions to the retirement scheme run by the Xinghua Municipality at a specified rate. The contribution is booked in due course as an operating expense of the Group. Under the scheme, no forfeited contributions are available to reduce the existing level of contributions. Apart from pension funds, the Group has provided different levels of medical, personal accidental and unemployment insurance policies for its employees.

Management Discussion and Analysis

HUMAN RESOURCES – CONTINUED

In 2009, the Board of Directors adopted a share award scheme to encourage and retain elite employees to stay with the Group and to provide incentives to achieve performance goals with a view to attaining the objectives of increasing the value of the Group and aligning the interests of selected employees directly to the shareholders of the Company through ownership of shares. Pursuant to the scheme, shares will be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the selected employees until such shares are vested in the selected employees in accordance with the provisions of the scheme. In 2010, 5,000,000 Company's shares (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 Company's shares (the "Second Batch Shares") were purchased by the trustee on the public market. In the first half of 2013, 10,481,000 Company's shares were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were treated as the "Third Batch Shares". During the six months ended 30 June 2013, the total consideration and other directly attributable incremental costs of the shares purchased under the share award scheme in an aggregate amount of RMB22.4 million were recognised in the reserve of the Company. As at 30 June 2013, all the First Batch Shares and approximately one third of the Second Batch Shares had been vested with selected employees. The remaining portion of the Second Batch Shares and the Third Batch Shares will be vested with selected employees in a five-year period from 2014 onwards.

PROSPECTS

Despite a modest slowdown in the first half of 2013, China has been pressing on with various economic reforms aimed at stabilizing short-term growth as well as driving the economy towards a healthier and more balanced development in the long run. Under the new leadership, the Chinese government has embarked on a vast program of urbanization in the next decade, which requires large investments in public infrastructure and property constructions. The burgeoning replacement demand for truck tires, coupled with rising need for passenger vehicles in China, provides a favorable environment for tire manufacturing sector as well as for Xingda.

In anticipation of sustainable recovery in the domestic market, Xingda has adjusted its expansion plan to speed up its construction of the Shandong plant in order to meet the growing orders from the major tire companies in China. The plant is expected to commence trial production in the fourth quarter of 2013 and commence full operation in the first quarter of 2014. In the meantime, the Group plans to upgrade its first-generation machines, with an aim to raise its existing radial tire cord production capacity by approximately 4% by the end of this year.

In addition to its domestic operations, Xingda will continue to expand its client base globally. Leveraging its distinguished reputation within the industry and its strong relationships with the major global tire manufacturers, Xingda is confident of securing more overseas orders for radial tire cords for trucks and expanding its global market share going forward.

Looking ahead, Xingda will continue to strengthen its competitive advantage in order to maintain the Group's leading market position in China, while adhering to its strategic plan to expand its product offering as well as its client base globally.

INTERIM DIVIDEND

The board of directors of the Company does not recommend payment of interim dividend for the six months ended 30 June 2013.

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

As at 30 June 2013, the interests of the Company's Directors ("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 (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 of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("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 2013
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 (<i>note 1</i>)	570,066,000	37.39%
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 (<i>note 2</i>)	570,066,000	37.39%
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 (<i>note 3</i>)	570,066,000	37.39%
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 (<i>note 4</i>)	570,066,000	37.39%
Koo Fook Sun, Louis	Beneficial owner	84,000	0.006%
William John Sharp	Beneficial owner	84,000	0.006%
Xu Chunhua	Beneficial owner	50,000	0.003%

Other Information

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

(1) LONG POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY – CONTINUED

Notes:

- Mr. Liu Jinlan held 2,000,000 shares in his own name as at 30 June 2013. 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 Company's prospectus dated 8 December 2006 ("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 2013, Great Trade Limited held 238,348,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
- Mr. Liu Xiang held 1,000,000 shares in his own name as at 30 June 2013. 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 2013, In-Plus Limited held 135,064,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
- Mr. Tao Jinxiang held 1,000,000 shares in his own name as at 30 June 2013. 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 2013, Perfect Sino Limited held 111,229,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.
- Mr. Zhang Yuxiao held 975,000 shares in his own name as at 30 June 2013. 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 2013, Power Aim Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

(2) LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE ASSOCIATED CORPORATION OF THE COMPANY

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 30 June 2013
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 30 June 2013, 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 for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2013 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 2013 are set out in note 18 to the condensed consolidated financial statements.

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

As at 30 June 2013, 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 2013
Great Trade Limited	Beneficial owner	238,348,000	15.63%
In-Plus Limited	Beneficial owner	135,064,000	8.86%
Perfect Sino Limited	Beneficial owner	111,229,000	7.29%
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)	566,474,000	37.15%
Lu Guangming George	Interests of controlled corporations (note 2)	83,187,600	5.46%
E-Star Corporation	Beneficial owner (note 3)	106,649,400	6.99%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation (note 3)	106,649,400	6.99%
COFCO (BVI) Limited	Interest of a controlled corporation (note 3)	106,649,400	6.99%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation (note 3)	106,649,400	6.99%
Matthews International Capital Management, LLC	Investment manager	152,911,000	10.02%
Prudential plc	Interests of controlled corporations (Note 4)	121,739,100	7.98%

Other Information

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

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – CONTINUED

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 400,000 shares in his own name as at 30 June 2013. 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 2013, Wise Creative Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.
2. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC). As recorded in the register of substantial shareholders maintained by the Company, Surfmax Investments, LLC held 74,907,600 shares in the Company as at 30 June 2013. Mr. Lu Guangming George also legally owned approximately 45.48% of the issued share capital of Win Wide International Ltd., which held 8,280,000 shares in the Company as at 30 June 2013. For the purpose of Part XV of the SFO, Mr. Lu Guangming George was deemed to be interested in the shares held by Surfmax Investments, LLC and Win Wide International Ltd. respectively.
3. COFCO Corporation (formerly known as COFCO Limited) owned 100% of the issued share capital of COFCO (BVI) Limited, which in turn owned 100% of the issued share capital of COFCO (BVI) No. 88 Limited, which in turn owned 100% of the issued share capital of E-Star Corporation. As at 30 June 2013, E-Star Corporation held 106,649,400 shares in the Company. For the purpose of Part XV of the SFO, COFCO Corporation, COFCO (BVI) Limited and COFCO (BVI) No. 88 Limited are deemed to be interested in the shares in the Company held by E-Star Corporation.
4. For the purpose of Part XV of the SFO, Prudential plc was deemed to be interested in the 121,739,100 shares in the Company held by its controlled corporations as at 30 June 2013.

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 2013 which are required to be recorded in the register maintained under section 336 of the SFO.

DEED OF NON-COMPETITION

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

The Company has received the declaration for the six months ended 30 June 2013 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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the six months ended 30 June 2013, except for the following:-

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

Other Information

CORPORATE GOVERNANCE PRACTICES – CONTINUED

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

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. William John Sharp and Ms. Xu Chunhua, both being independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 24 May 2013 as they had to attend other meetings or were engaged in other businesses and commitments. However, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the non-executive Director and independent non-executive Directors was ensured.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2013.

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

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

Apart from the Company's shares purchased under the share award scheme of the Company as mentioned in page 10 of this report, 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 2013.

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 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 2013, the Group has utilised approximately HKD685 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus <i>HKD'000</i>	Actual uses of funds up to 30 June 2013 <i>HKD'000</i>	Balance of net proceeds as at 30 June 2013 <i>HKD'000</i>
Expansion of the production capacity of the production facilities	550,000	550,000	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	8,339	61,661
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000
Set-up of international development departments	180,000	89,358	90,642
Working capital	37,000	37,000	–
	<hr/>	<hr/>	<hr/>
Total	<u>1,087,000</u>	<u>684,697</u>	<u>402,303</u>

The remaining amount of approximately HKD402 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.

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. During the six months ended 30 June 2013, all the net proceeds were utilised for enhancing the production facilities of a jointly controlled entity invested by the Group and financing the working capital.

Other Information

AUDIT COMMITTEE

The Audit Committee of the Company 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 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 2013.

By Order of the Board

XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan

Chairman

Shanghai, the PRC, 21 August 2013

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 20 to 36, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June	
		2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Revenue	4	2,708,820	2,763,721
Cost of sales		(2,037,845)	(2,195,678)
Gross profit		670,975	568,043
Other income	5	25,841	37,251
Government grants	6	11,572	462
Selling and distribution expenses		(167,209)	(176,699)
Administrative expenses		(129,289)	(101,913)
Other gains, losses and expenses	7	(21,781)	(36,787)
Finance costs		(33,464)	(57,340)
Share of profit of a joint venture		1,616	3,843
Profit before taxation		358,261	236,860
Income tax expense	8	(65,258)	(43,093)
Profit and total comprehensive income for the period	9	293,003	193,767
Profit for the period and total comprehensive income attributable to:			
Owners of the Company		207,119	149,297
Non-controlling interests		85,884	44,470
		293,003	193,767
Earnings per share	11		
Basic (RMB fen)		13.58	9.79

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,768,563	3,893,192
Prepaid lease payments		238,933	241,839
Investment properties	12	130,200	130,200
Interest in a joint venture		250,336	248,720
Deferred tax assets		28,443	26,637
Prepayment		14,500	16,000
Deposits paid for purchase of property, plant and equipment		25,282	13,403
		4,456,257	4,569,991
CURRENT ASSETS			
Prepaid lease payments		5,812	5,812
Inventories		537,741	433,303
Trade and other receivables	13	4,003,049	3,774,660
Pledged bank deposits		123,500	58,000
Bank balances and cash		406,386	521,441
		5,076,488	4,793,216
CURRENT LIABILITIES			
Trade and other payables	14	2,095,575	1,734,564
Amount due to a related company	19	1,517	2,004
Tax payable		60,752	56,984
Bank borrowings – due within one year	15	910,000	1,190,000
Government grants		10,000	10,000
		3,077,844	2,993,552
NET CURRENT ASSETS		1,998,644	1,799,664
TOTAL ASSETS LESS CURRENT LIABILITIES		6,454,901	6,369,655
NON-CURRENT LIABILITY			
Deferred tax liabilities		47,110	59,136
NET ASSETS		6,407,791	6,310,519
CAPITAL AND RESERVES			
Share capital	16	150,999	150,999
Reserves		4,659,373	4,647,985
Equity attributable to owners of the Company		4,810,372	4,798,984
Non-controlling interests		1,597,419	1,511,535
TOTAL EQUITY		6,407,791	6,310,519

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital contribution reserve	Statutory common reserve	Capital redemption reserve	Retained earnings	Shares held under share award scheme	Awards share compensation reserve	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000 (note c)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (audited)	150,999	1,427,908	283,352	(130,150)	460,897	2,062	2,672,029	(23,284)	5,208	4,849,021	1,440,945	6,289,966
Profit for the period	-	-	-	-	-	-	149,297	-	-	149,297	44,470	193,767
Total comprehensive income for the period	-	-	-	-	-	-	149,297	-	-	149,297	44,470	193,767
Dividends recognised as distribution (Note 10)	-	(247,227)	-	-	-	-	-	-	-	(247,227)	-	(247,227)
Shares vested under the share award scheme	-	-	-	-	-	-	-	5,337	(5,337)	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	4,789	4,789	-	4,789
At 30 June 2012 (unaudited)	150,999	1,180,681	283,352	(130,150)	460,897	2,062	2,821,326	(17,947)	4,660	4,755,880	1,485,415	6,241,295
At 1 January 2013 (audited)	150,999	1,180,681	283,352	(130,150)	494,570	2,062	2,827,142	(17,948)	8,276	4,798,984	1,511,535	6,310,519
Profit for the period	-	-	-	-	-	-	207,119	-	-	207,119	85,884	293,003
Total comprehensive income for the period	-	-	-	-	-	-	207,119	-	-	207,119	85,884	293,003
Dividends recognised as distribution (Note 10)	-	(185,455)	-	-	-	-	-	-	-	(185,455)	-	(185,455)
Purchase of shares for the purpose of share award scheme	-	-	-	-	-	-	-	(22,403)	-	(22,403)	-	(22,403)
Shares vested under the share award scheme	-	-	-	-	-	-	-	9,387	(9,387)	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	12,127	12,127	-	12,127
At 30 June 2013 (unaudited)	150,999	995,226	283,352	(130,150)	494,570	2,062	3,034,261	(30,964)	11,016	4,810,372	1,597,419	6,407,791

Note:

- Special reserve represents 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. It also represents the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("Jiangsu Xingda") at date of acquisition.
- Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.
- According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), Xingda International (Shanghai) Special Cord Co., Ltd. ("Xingda International (Shanghai)") and Shanghai Xingda Steel Tyre Cords Co., Ltd. ("Shanghai Xingda"), they are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Profit before taxation	358,261	236,860
Depreciation and amortisation	221,226	204,956
(Increase) decrease in inventories	(104,438)	107,747
Increase in trade and other receivables	(232,580)	(57,901)
Increase (decrease) in trade and other payables	422,540	(165,367)
Income tax paid	(75,322)	(67,965)
Purchase of shares for the purpose of share award scheme	(22,403)	–
Other operating cash flows	46,822	75,741
	<u>614,106</u>	<u>334,071</u>
NET CASH USED IN INVESTING ACTIVITIES		
Additions to and deposit paid for purchase of property, plant and equipment	(166,957)	(319,436)
Withdrawal of pledged bank deposits	58,000	28,920
Placement of pledged bank deposits	(123,500)	–
Interest received	2,755	6,147
Proceeds from disposal of property, plant and equipment	292	2,898
	<u>(229,410)</u>	<u>(281,471)</u>
NET CASH USED IN FINANCING ACTIVITIES		
New bank loans raised	1,198,000	1,663,000
Repayment of bank loans	(1,478,000)	(1,585,000)
Dividend paid	(185,455)	(247,227)
Interest paid	(34,296)	(61,297)
	<u>(499,751)</u>	<u>(230,524)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(115,055)	(177,924)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>521,441</u>	<u>730,856</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>406,386</u></u>	<u><u>552,932</u></u>
Represented by:		
Bank balances and cash	<u><u>406,386</u></u>	<u><u>552,932</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. GENERAL

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

The condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate, which is also the functional currency of the Company and its subsidiaries.

The Company is an investment holding company and the Group is engaged in the manufacture and trading of radial tire cords, bead wires and sawing wires.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are mandatorily effective for the current interim period.

The impact of the application of these standards is set out below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

AMENDMENTS TO IAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively.

IFRS 13 FAIR VALUE MEASUREMENT

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of IFRS 13 has had no material impact on the fair value measurement of the Group's investment properties.

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

In the current interim period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

IMPACT OF THE APPLICATION OF IFRS 11

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company (the “Directors”) reviewed and assessed the classification of the Group’s investments in joint arrangements in accordance with the requirements of IFRS 11. The Directors concluded that the Group’s investment in Shandong Xingda Steel Tyre Cords Co. Ltd., which was classified as a jointly controlled entity under IAS 31 and was accounted for using the equity method, should be classified as a joint venture under IFRS 11 and accounted for using the equity method.

Except as described above, the application of the other new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

4. SEGMENT INFORMATION

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

5. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	<i>RMB'000</i>
Sales of scrap materials	14,874	25,391
Interest income earned on bank balances and bank deposits	2,755	6,147
Sundry income	8,212	5,713
	25,841	37,251

6. GOVERNMENT GRANTS

Government grants represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products during the six months ended 30 June 2013 and 2012.

For the six months ended 30 June 2013 and 2012, no government grants where there were specific conditions attached to the grants were recognised in the consolidated statement of profit or loss and other comprehensive income. For the government grants that do not have any specific conditions attached, an amount of RMB11,572,000 (for the six months ended 30 June 2012: RMB462,000) was recognised in the consolidated statement of profit or loss and other comprehensive income when the grants were received.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

7. OTHER GAINS, LOSSES AND EXPENSES

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Allowance for doubtful debts: trade receivables	3,391	13,751
Write-off of trade receivables	800	1,680
Research and development expenditure	18,174	19,138
Exchange loss (gain), net	1,866	(1,007)
Loss on disposal of property, plant and equipment	400	3,225
Recovery of doubtful debts	(2,850)	–
	21,781	36,787

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
The charge comprises:		
Current tax		
Current period	79,090	46,992
Deferred taxation	(13,832)	(3,899)
	65,258	43,093

The tax charge in respect of the current and prior periods represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

On 5 November 2012, Jiangsu Xingda renewed its High-tech Enterprise Certificate which expired in 2011 with the relevant authorities and received the High-tech Enterprise Certificate on 22 April 2013. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2012, 2013 and 2014. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax for the six-month ended 30 June 2013 and 30 June 2012, as well as the year ended 31 December 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

8. INCOME TAX EXPENSE – CONTINUED

At 30 June 2013, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,919 million (31 December 2012: RMB1,650 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group's profit neither arises in, nor is derived from, Hong Kong for both periods.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	218,320	202,050
Amortisation of prepaid lease payments	2,906	2,906

10. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend paid in respect of the year ended 31 December 2012 – 15 HK cents per share (2012: final dividend paid in respect of the year ended 31 December 2011 – 20 HK cents per share)	185,455	247,227

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

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	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>207,119</u>	<u>149,297</u>
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,524,777</u>	<u>1,524,777</u>

There were no potential ordinary shares outstanding during the six months ended 30 June 2013 and 2012.

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

During the period, the Group disposed of certain plant and machinery with a carrying amount of approximately RMB692,000 (for the six months ended 30 June 2012: RMB6,123,000) for cash proceeds of approximately RMB292,000 (for the six months ended 30 June 2012: RMB2,898,000), resulting in a loss on disposal of RMB400,000 (for the six months ended 30 June 2012: RMB3,225,000).

In addition, the Group spent approximately RMB94,383,000 (for the six months ended 30 June 2012: RMB228,446,000) 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 2012: RMB3,957,000).

No impairment loss was recognised during the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).

The Group's investment properties as at 30 June 2013 were fair valued by the Directors of the Company by comparing market value of the nearby buildings. No significant change in fair value of investment properties was resulted, thus no valuation movement has been recognised in respect of the Group's investment properties for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

13. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade and note receivables by age, net of allowance for doubtful debt, presented based on the invoice date and the number of days to maturity date respectively at the end of the reporting period:

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Trade receivables		
0 – 90 days	1,565,212	1,297,894
91 – 180 days	234,781	208,349
181 – 360 days	122,962	76,610
Over 360 days	8,057	8,847
	1,931,012	1,591,700
Note receivables		
0 – 90 days	766,395	1,092,465
91 – 180 days	946,643	847,268
181 – 360 days	279,552	192,728
	1,992,590	2,132,461
Advance to raw materials suppliers	23,360	18,461
Prepayment for spools	16,523	14,534
Other receivables and prepayments, net of allowance for doubtful debts	39,564	17,504
	79,447	50,499
	4,003,049	3,774,660

The Group reviewed the recoverability of long aged trade receivables on a case by case basis and an allowance for doubtful debts of approximately RMB3,391,000 (six months ended 30 June 2012: approximately RMB13,751,000) has been recognised for long outstanding trade receivables for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

14. TRADE AND OTHER PAYABLES

The following is an analysis of trade and notes payables by age, presented based on the invoice date and the number of days to maturity date respectively at the end of the reporting period:

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Trade payables		
0 – 90 days	730,978	636,920
91 – 180 days	39,520	178,804
181 – 360 days	68,932	109,544
Over 360 days	3,367	11,287
	842,797	936,555
Note payables		
0 – 90 days	250,329	150,000
91 – 180 days	573,411	119,263
	823,740	269,263
Value-added tax payable and other tax payables	56,562	34,176
Accrued staff costs and pension	124,879	173,606
Payables for purchase of property, plant and equipment	169,798	230,496
Accrued interest expense	1,494	2,326
Accrued electricity charges	50,929	44,510
Others	25,376	43,632
	429,038	528,746
	2,095,575	1,734,564

At the end of the reporting period, the Group's pledged bank deposits were used to secure on certain note payables.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to RMB1,198,000,000 (for the six months ended 30 June 2012: RMB1,663,000,000). The loans carry interest at variable market rates linked to the RMB Benchmark Loan Interest Rates ranging from 5.32% to 6.00% (for the six months ended 30 June 2012: 5.61% to 7.93%) per annum and are repayable within one year. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB1,478,000,000 (for the six months ended 30 June 2012: RMB1,585,000,000) during the period.

A subsidiary has given corporate guarantees to certain banks to obtain certain of the above bank borrowings.

16. SHARE CAPITAL

	Number of shares	Share capital <i>RMB'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2013 and 30 June 2013	<u>3,000,000,000</u>	<u>301,410</u>
Issued and fully paid:		
At 1 January 2013 and 30 June 2013	<u>1,524,776,693</u>	<u>150,999</u>

17. CAPITAL COMMITMENTS

	As at 30 June 2013 <i>(unaudited)</i> <i>RMB'000</i>	As at 31 December 2012 <i>(audited)</i> <i>RMB'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>58,293</u>	<u>26,765</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

17. CAPITAL COMMITMENTS – CONTINUED

In addition to the above, the Group's share of the capital commitments of its joint ventures are as follows:

	As at 30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	162,241	86,290

18. SHARE-AWARD SCHEME

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

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

	Number of shares
Outstanding as at 1 January 2012	6,649,999
Vested during the period (Note 2)	(1,649,999)
Outstanding as at 30 June 2012	5,000,000
Outstanding as at 1 January 2013	5,000,000
Awarded during the period (Note 1)	15,000,000
Vested during the period (Note 2)	(1,666,668)
Vested during the period (Note 3)	(1,662,332)
Outstanding as at 30 June 2013	16,671,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

18. SHARE-AWARD SCHEME – CONTINUED

Note 1: In the current interim period, 15,000,000 awarded shares were granted on 22 January 2013 to 28 selected employees. The weighted average fair value of the shares at grant date is HKD3.236.

Note 2: The awarded shares were granted in 2011 and would vest in tranches of approximately 1,666,666 shares annually over a period of 3 years from 2013 to 2015.

Note 3: The awarded shares were granted in the current period and would vest over a period of 6 years from 2013 to 2018. In the first three years, the shares would vest in tranches of approximately 1,666,666 shares annually while in the latter 3 years, the shares would vest in tranches of approximately 3,333,333 shares annually.

During the period, the Group recognised total expense of approximately RMB12,127,000 (for the six months ended 30 June 2012: RMB4,789,000) in relation to shares granted under the Scheme by the Company.

These fair value were calculated using the Binomial model. The inputs into the model were as follows:

	2013
Share price at grant date	HK\$3.48
Expected volatility	44% – 61%
Risk-free rate	0.043% – 0.460%

Expected volatility was determined by using the historical volatility of the Company's share price with similar duration in the life of the awarded shares.

The participants of the Share Award Scheme, other than the directors of the group entities, are not allowed to trade the shares granted to them by the Company in the event that the total number of shares granted multiplied by the closing market price of the Company per share for the last trading day of the Stock Exchange is less than 20% of the total amount of remuneration payable to such participant in the year of grant ("Threshold").

Such participants shall be allowed to trade in the granted shares after such shares are vested in him on the relevant vesting date when the product of (i) the total number of shares granted or to be granted in respect of such year to such participants multiplied by (ii) the market price per share is equal to or more than the Threshold, or until such other time as determined by the Remuneration Committee and approved by the Directors from time to time.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

19. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	Note	Six months ended 30 June	
			2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services to the Group	(a)	<u>2,102</u>	<u>1,807</u>

Note:

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

As at period end, the amount due to the related party equals RMB1,517,000 (31 December 2012: RMB2,004,000). The amount is unsecured, non-interest bearing and repayable on demand.

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	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Salaries and other benefits	27,696	29,079
Retirement benefit scheme contributions	65	11
Share based payments	12,127	4,789
	<u>39,888</u>	<u>33,879</u>

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