兴 达

XINGDA

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)

07 Interim Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. LIU Jinlan *(Chairman)*
Mr. LIU Xiang
Mr. TAO Jinxiang
Mr. WU Xinghua
Mr. CAO Junyong
Mr. ZHANG Yuxiao

Non-executive Directors
Mr. LU Guangming George
Ms. WU Xiaowei
Mr. ZHOU Mingchen

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. TSE Shiu Wah *FCCA, CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. TSE Shiu Wah

LEGAL ADVISORS

As to Hong Kong Law:
Deacons
As to PRC Law:
Jingtian & Gongcheng

AUDITORS

Deloitte Touche Tohmatsu

COMPLIANCE ADVISOR

DBS Asia Capital Limited

REGISTERED OFFICE

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

HEAD OFFICE

Room03-08, 30th Floor, Shanghai Mart
2299 Yanan Road West
Shanghai 200336, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
DBS Bank (Hong Kong) 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

INVESTOR RELATIONS

Strategic Financial Relations (China) Limited
Unit A, 29th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

STOCK CODE

1899

WEBSITE

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

FINANCIAL HIGHLIGHTS

OPERATING RESULTS	Six months ended 30 June		
	2007	2006	Change
	RMB in million	RMB in million	
Revenue	**1,253**	1,155	+8.5%
Gross profit	**313**	335	-6.6%
EBITDA(1)	**332**	329	+0.9%
Profit for the period	**93**	195	-52.3%
Profit attributable to equity holders of the Company	**41**	125	-67.2%
Underlying profit attributable to equity holders of the Company(2)	**130**	146	-11.0%
Earnings per share – basic (RMB fen)(3)	**3.22**	13.88	-76.8%
Adjusted earnings per share – basic (RMB fen)(4)	**10.11**	16.25	-37.8%

FINANCIAL POSITION	**30.6.2007**	31.12.2006	Change
	RMB in million	RMB in million	
Total assets	**5,202**	5,171	+0.6%
Total liabilities	**2,609**	2,613	-0.2%
Net assets	**2,593**	2,558	+1.4%
Shareholders' equity	**1,897**	1,906	-0.5%

KEY RATIOS	Six months ended 30 June	
	2007	2006
Gross profit margin(5)	**25.0%**	29.0%
EBITDA margin(6)	**26.5%**	29.2%
Return on equity(7)	**6.9%**	19.5%
	30.6.2007	31.12.2006
Current ratio(8)	**1.79**	1.92
Gearing ratio(9)	**37.5%**	40.8%
Net debts to equity ratio(10)	**32.9%**	38.8%

Notes:

(1) It is arrived at profit for the period before finance costs, income tax, depreciation, amortization and loss on fair value adjustment on the convertible bonds.

(2) Underlying profit attributable to the equity holders of the Company is arrived at profit attributable to the equity holders of the Company adding back the loss on fair value adjustment on the convertible bonds and exchange difference arising from non-operating activities.

(3) Profit attributable to the equity holders of the Company divided by the number of shares in issue as at 30 June 2007 of 1,286,000,000 (30 June 2006: 900,000,000).

(4) Underlying profit attributable to the equity holders of the Company divided by the number of shares in issue as at 30 June 2007 of 1,286,000,000 (30 June 2006: 900,000,000).

(5) Gross profit divided by revenue.

(6) EBITDA divided by revenue.

(7) Profit attributable to equity holders of the Company divided by shareholders' equity.

(8) Current assets divided by current liabilities.

(9) Total debts (bank borrowings and convertible bonds) divided by total assets.

(10) Total debts (bank borrowings and convertible bonds) less cash and bank balances divided by shareholders' equity.

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to present the interim results of Xingda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group" or "Xingda") for the six months ended 30 June 2007.

During the first half of 2007, the Group maintained its market leading position and continued to be the largest manufacturer of radial tire cords in the People's Republic of China ("China" or the "PRC"), offering quality radial tire cords and bead wires to renowned global and domestic tire manufacturers.

During the period under review, the Group's sales volume grew steadily having reached a 8.5% year-on-year growth on turnover reaching RMB1,253.4 million. Facing keen market competition during the period, selling prices of the Group's radial tire cords were inevitably lowered to maintain the market share in the domestic market, which eroded the Group's gross profit margin. Nevertheless, the Group has actively strengthened cost control on raw materials which partially offset the adverse effect brought by the price drop of radial tire cords, thus, the gross profit was declined by 6.7% to RMB313.1 million compared to the same period of last year.

Profit attributable to equity holders of the Company for the period ended 30 June 2007 amounted to RMB41.4 million, representing a decrease of RMB83.5 million, or 66.8%, from RMB124.9 million for the first half of 2006. Without having considered loss resulting from the fair value adjustment on the convertible bonds and exchange difference arising from non-operating activities, the profit attributable to equity holders of the Company would be RMB130.0 million, being a decrease of RMB16.2 million, or 11.1%, from RMB146.2 million for the same period of last year.

The board of directors ("Directors") of the Company does not recommend payment of interim dividend for the six months ended 30 June 2007.

Xingda continues its business focus on manufacture and distribution of radial tire cords and bead wires. To cope with its expansion strategies, the Company's wholly-owned subsidiary Faith Maple International Ltd. ("Faith Maple"), and its indirect non wholly-owned subsidiary Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("Jiangsu Xingda"), entered into a joint venture contract in June 2007 to establish a joint venture company, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), in China. Faith Maple and Jiangsu Xingda hold 90% and 10% of the equity interests in the Xingda Special Cord respectively. With the support of Jiangsu Xingda's production facilities and technicians, Xingda Special Cord fully devotes in the business of manufacturing and distributing radial tire cords and bead wires. We believe that Xingda Special Cord will bring economic benefits to the Group and will allow Xingda to capture more profits in the long run.

Pursuant to the resolutions passed at the last annual general meeting of the Company held on 28 May 2007, the Directors were granted a general and unconditional mandate to, among other matters, exercise all powers of the Company to repurchase on the Stock Exchange such number of shares of the Company with an aggregate nominal amount not exceeding 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at 28 May 2007 during the Approved Period (as defined in the circular of the Company dated 26 April 2007) (the "Repurchase Mandate"). The Investment and International Development Committee of the Company was recently authorized by the Directors to repurchase not more than 128,600,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at anytime during the Approved Period in accordance with the Repurchase Mandate, the memorandum and articles of association of the Company, the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the applicable laws of the Cayman Islands. The Directors believe that the repurchase of shares which will enhance the return on equity is in the interests of the Company and its shareholders. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

BUSINESS REVIEW

During the first half of 2007, the total sales volume of the Group has a 20.4% growth, increased by 17,900 tonnes, from 87,800 tonnes for the six months ended 30 June 2006 to 105,700 tonnes for the six months ended 30 June 2007. The Group focused its sales on higher-margin product, radial tire cords, with its sales volume recorded year-on-year increment of 17.9% to 88,500 tonnes, accounting for 83.7% of the Group's total sales volume (first half of 2006: 85.5%). The sales volume of bead wires increased by 35.8% to 17,200 tonnes, accounting for 16.3% of the Group's total sales volume (first half of 2006: 14.5%).

During the six months period ended 30 June 2007, sales volume of radial tire cords for passenger car increased significantly by 30.8% to 16,900 tonnes when compared to the corresponding period in 2006. Sales volume of radial tire cords for truck increased by 15.2% to 71,600 tonnes. The sales volume of radial tire cords for passenger car and for truck accounted for 19.1% and 80.9% of the Group's total radial tire cord sales volume respectively (first half of 2006: 17.2% and 82.8% respectively).

Since 2006, the Group has devoted efforts to reduce raw materials costs by using more domestic steel wire rods which are of lower cost than the imported steel wire rods. The Group also established solid relationship with suppliers to secure stable price of steel wire rods. During the period under review, the Group's cost of steel wire rods accounted for 53.5% of the total cost of sales (first half of 2006: 54.4%). The drop in cost proportion of steel wire rods was the result of increasing use of domestic steel wire rods and decreasing unit costs.

With the completion of the Phase I of the Group's No. 8 Factory, production capacity of radial tire cords reached 218,200 tonnes by the end of 30 June 2007, representing an increase of 12.4% compared with the production capacity as at the end of 2006. The production capacity of bead wires remained unchanged throughout the period. The overall utilization rate increased from 76% in the first half of 2006 to 80% in the first half of 2007.

During the first half of 2007, the Group successfully developed 18 new types of radial tire cords and 7 new types of bead wires. As at the end of June 2007, the Group offered a wide range of products including 64 types of radial tire cords and 25 types of bead wires to the customers. Moreover, leveraging on the existing technical centre and the new product research centre, the Group has been actively researching on the latest technologies, and developing and improving production equipment.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
RMB in million	**2007**	**Proportion (%)**	2006	Proportion (%)	Change
Radial Tire Cord	**1,163**	**93**	1,085	94	+78
– For Truck	***974***	***78***	*929*	*80*	*+45*
– For Passenger Car	***189***	***15***	*156*	*14*	*+33*
Bead Wire	**90**	**7**	70	6	+20
Total	**1,253**	**100**	1,155	100	+98

China remained the Group's major market in the first half of 2007. In view of the increasing demand in radial tire cords in the PRC, the Group continued to focus on domestic market which boosted the Group's revenue. The Group's total revenue increased by RMB98.1 million, or 8.5%, from RMB1,155.3 million for the first half of 2006 to RMB1,253.4 million for the first half of 2007.

Gross profit and gross profit margin

Due to the pricing competition which led to decline in average selling price of the radial tire cords, the overall gross profit margin decreased from 29.0% for the first half of 2006 to 25.0% for the first half of 2007, while gross profit dropped by RMB22.3 million, or 6.7%, from RMB335.4 million to RMB313.1 million for the six months ended 30 June 2007.

Other income and government grant

Other income increased by RMB15.2 million, or 48.0%, to RMB47.0 million for the first half of 2007 when compared to the corresponding period in 2006. The increase was mainly due to the increase in bank interest income arising from the unused proceeds from the initial public offering which were deposited as short term deposits in banks. Government grant increased by RMB2.5 million, or 125.0%, from RMB2.0 million for the first half of 2006 to RMB4.5 million for the first half of 2007. The increment was mainly due to increase in incentive subsidies received from the local government during the period under review.

Operating expenses

There was an increment of 16.7% for the selling and distribution expenses increasing from RMB40.8 million for the first half of 2006 to RMB47.6 million for the first half of 2007. The increase was mainly caused by the rise in transportation cost brought by the growth in sales volume. When compared to the corresponding period of last year, administrative expenses increased by RMB9.0 million for the first half of 2007. Such an increment was mainly due to the exchange loss of RMB18.6 million recorded during the period under review.

FINANCIAL REVIEW - *continued*

Finance costs

Finance costs increased by RMB7.0 million, or 16.4%, in the first half of 2007 when compared to RMB42.6 million for the same period of 2006. The increase was mainly contributed by the increase in interest rate of the bank borrowings wholly repayable within five years as well as the increase in interest on note receivables discounted.

Fair value adjustment on convertible bonds

The Company issued convertible bonds of principal amount of US$30.4 million, US$19.7 million and US$3.9 million (the "Convertible Bonds") on 7 May 2005, 29 December 2005 and 18 January 2006 respectively at a coupon rate of 1% per annum and a maturity of three years from the date of issue. Under International Accounting Standard 32 and 39, the Convertible Bonds have to be stated at fair value which is determined by an independent expert valuer as at each period end. The fair value of the Convertible Bonds is arrived at after using the Black-Scholes option pricing model with the input of various variables including the closing price of the shares, the volatility of the market where the Company's shares are listed and the time to maturity of the Convertible Bonds.

The loss on fair value adjustment on the Convertible Bonds was RMB71.8 million for the first half of 2007 which represented an increase of RMB44.4 million, or 162.0% compared to the loss of RMB27.4 million for the corresponding period of 2006. The loss for the first half of 2007 was mainly contributed by the rise in market price of the Company's shares from HK$3.18 per share as at 29 December 2006 (the last trading day for the year ended 31 December 2006) when compared to HK$3.42 per share as at 29 June 2007 (the last trading day for the period under review).

Income tax

Due to the expiration of the tax holiday of the major operating subsidiary on 1 January 2007, the Group had an income tax charge of RMB30.1 million with an effective tax rate of 24.5% reflecting a tax rate of 15% levied on the taxable income of the major operating subsidiary partially offset by the loss on fair value adjustment on the convertible bonds which was non-deductible under relevant tax rules.

Net profit

Taking all the above factors into account, the Group's net profit for the period ended 30 June 2007 amounted to RMB92.9 million, representing a decline of RMB101.8 million, or 52.3%, from RMB194.8 million for the corresponding period of last year. Should the loss on fair value adjustment on the convertible bonds and exchange difference arising from non-operating activities be excluded, the adjusted net profit for the six months ended 30 June 2007 would be RMB181.5 million, representing a decrease of RMB34.5 million, or 16.0% when compared to RMB216.1 million of the same period in last year.

FINANCIAL REVIEW - *continued*

Reconciliation of report profit and underlying profit attributable to equity holders of the Company

	Six months ended 30 June	
	2007	2006
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Profit for the period	**92,932**	194,760
Loss on fair value adjustment on the convertible bonds (note)	**71,752**	27,444
Exchange loss (gain) arising from non-operating activities	**16,862**	(6,131)
Underlying profit for the period	**181,546**	216,073
Underlying profit for the period attributable to:		
Equity holders of the Company	**130,035**	146,225
Minority shareholders	**51,511**	69,848
	181,546	216,073

Note: Loss on fair value adjustment on the convertible bonds represents the change in the fair value of the convertible bonds calculated by an independent and recognized international business valuer. The impact of the change in fair value of the convertible bonds is not considered to be arising from the ordinary course of business of the Group.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The principal sources of liquidity and capital resources have been cash flow generated from operating activities whereas the principal uses of cash were operational costs and expansion of production capacity.

Bank balances and cash including bank deposits of the Group decreased slightly by RMB45.6 million from RMB1,370.2 million as at 31 December 2006 to RMB1,324.6 million as at 30 June 2007. The decrease was due to the net cash used in investing activities of RMB205.7 million which was mainly applied for the expansion of production capacity and the net cash used in financing activities of RMB302.7 million which was mainly due to the repayment of bank borrowings, partially offset by the net cash generated from operating activities of RMB462.8 million.

Bank borrowings decreased by RMB211.0 million, or 15.5% from RMB1,360.0 million as at 31 December 2006 to RMB1,149.0 million as at 30 June 2007. The bank borrowings carry interest at market rates from 5.67% to 6.93% per annum and are repayable either within one year or on maturity in 2009.

The Group's current assets dropped by 4.4% from RMB3,172.7 million as at 31 December 2006 to RMB3,033.0 million as at 30 June 2007 whereas Group's current liabilities increased slightly by 2.3% from RMB1,656.1 million as at 31 December 2006 to RMB1,694.1 million as at 30 June 2007. The Group's current ratio (being defined as current assets over current liabilities) decreased from 1.92 times as at 31 December 2006 to 1.79 times as at 30 June 2007. The decrease was mainly attributable to the decrease in trade and other receivables. The gearing ratio which is measured by total debts (bank borrowings and Convertible Bonds) to total assets decreased from 41% as at 31 December 2006 to 37% as at 30 June 2007 due to the decrease in bank borrowings.

CONVERTIBLE BONDS

In May 2005, the Company issued the first tranche of Convertible Bonds to Tetrad Ventures Pte Ltd ("Tetrad") and Henda Limited ("Henda") for an aggregate principal amount of US$30.4 million (approximately RMB231.5 million). Subject to adjustment clause, the Convertible Bonds are convertible at approximately HK$1.853 (approximately RMB1.805) per ordinary share of the Company ("Share"). Should the holders of the Convertible Bonds opt not to convert the Convertible Bonds, the Company will be required to redeem the Convertible Bonds in May 2008. Additionally, in December 2005 and January 2006, Tetrad and Henda subscribed for the second tranche of Convertible Bonds for an aggregate principal amount of US$23.6 million (approximately RMB179.7 million), which will be repayable in December 2008 and January 2009. Such second tranche of Convertible Bonds is also convertible at approximately HK$1.853 (approximately RMB1.805) per Share. On 13 September 2006, Tetrad transferred to Goldman Sachs Strategic Investments (Asia) L.L.C. ("GSSIA") Convertible Bonds in the aggregate principal amount of approximately US$5.3 million (approximately RMB40.4 million).

Under the terms of the Convertible Bonds, each of Henda, Tetrad and GSSIA has the right to require the early redemption of their respective Convertible Bonds under certain circumstances, including change in control of the Company other than as a result of listing.

During the six months ended 30 June 2007, the Company paid the holders of the Convertible Bonds interest of US$343,333 (approximately RMB2.6 million) (first half of 2006: US$304,000 or RMB2.4 million).

On 5 July 2007, the Company received a conversion notice served by Tetrad, electing to convert a principal amount of US$19,871,471 of the first tranche of convertible bond issued by the Company to Tetrad ("First Tranche Tetrad Bond") into Shares at a conversion price of HK$1.853 per Share pursuant to the conditions of the First Tranche Tetrad Bond. Immediately following the allotment and issue of the Shares pursuant to the said conversion, Tetrad holds 83,628,471 Shares, representing approximately 6.5% of the issued share capital of the Company immediately prior to such conversion and approximately 6.1% of the enlarged issued share capital of the Company immediately following to such conversion.

On 26 July 2007, the Company received a conversion notice served by Henda, electing to convert a principal amount of US$4,500,000 of the first tranche of convertible bond issued by the Company to Henda ("First Tranche Henda Bond") into Shares at a conversion price of HK$1.853 per Share pursuant to the conditions of the First Tranche Henda Bond. Immediately following the allotment and issue of the Shares pursuant to the said conversion, Henda holds 18,938,111 Shares, representing approximately 1.38% of the issued share capital of the Company immediately prior to such conversion and approximately 1.36% of the enlarged issued share capital of the Company immediately following to such conversion.

The outstanding principal of the Convertible Bonds has been reduced from US$54.0 million to approximately US$29.6 million upon the allotment of Shares pursuant to the conversions mentioned above.

CAPITAL COMMITMENTS

Details of the Group's capital commitment as at 30 June 2007 are set out in the note 15 to the interim financial information.

CONTINGENT LIABILITIES

Save as disclosed in note 17 to the interim financial information, the Group did not have any material contingent liabilities as at 30 June 2007.

PLEDGE OF ASSETS

The Group did not pledge any assets as at 30 June 2007. As at 31 December 2006, the Group pledged land use right and property, plant and equipment at an aggregate carrying value of approximately RMB808.5 million to secure its bank borrowings.

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2007, the Group had no new significant external investments.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2007, the Group had no significant acquisitions and disposals.

FOREIGN EXCHANGE RISK

The Group's sales were principally denominated in Renminbi and US dollars whereas purchases were also transacted mainly in the same currencies. The amount received from sales in US dollars had been fully utilized for the payments settled in US dollars. Thus, the appreciation of Renminbi in the first half of 2007 did not bring material effect on the Group's operations. Since all of the Group's assets and liabilities are denominated in Renminbi, US dollars and HK dollars, no material foreign exposure is expected. The Group did not engage in any instrument to hedge against the foreign exchange risk.

HUMAN RESOURCES

As at 30 June 2007, the Group had approximately 6,000 (31 December 2006: approximately 5,800) full time employees and most of them were based in the PRC. The total staff costs including directors' remuneration for the six months ended 30 June 2007 was approximately RMB91.8 million (first half of 2006: approximately RMB88.6 million). The remuneration packages which consist of salaries and bonuses are based on the employees' merit, qualifications and competence and are generally reviewed annually. The Group continues to provide training programs for staff to enhance technical and product knowledge as well as knowledge of industry quality standards.

PROSPECTS

Leveraging on the rapid growth of automobile industry in China, the Group will further fasten the expansion pace of its No. 8 Factory to boost annual production capacity of high performance radial tire cords by 30,000 to 40,000 tonnes yearly in the coming four years. The Group will continue to strengthen its quality control and enhance its competitiveness by acquiring top-notch testing equipment. Xingda committed to allocate more resources in research and development on new products and production craftsmanship to meet customers' need. At the same time, the Group will continue to explore opportunities in both local and overseas markets, aiming at becoming approved suppliers of more PRC's and global renowned tire manufacturers.

To maintain a more competitive cost structure, the Group will continue to source a higher portion local steel wire rods and will further look for long term contracts with major suppliers to secure an even more stable price of steel wire rods. Looking forward, the Group will continue to execute its organic expansion and acquisition strategies to speed up Xingda's growth. We are confident in the future development of Xingda and believe that the Group will further consolidate its leading position in domestic market and increase the share in global market, moving ever closer to be one of the global largest radial tire cords suppliers.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company does not recommend for the payment of interim dividend for the six months ended 30 June 2007.

An interim dividend of US$232.96 per share amounting to US$2,329,600 (equivalent to approximately RMB18,627,000) was paid to the then shareholders of the Company for the six months ended 30 June 2006 prior to the listing of the Company on the Stock Exchange.

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

As at 30 June 2007, the interests of the Directors and chief executive 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 pursuant to the Model Code for Securities Transactions by Director of Listed Companies ("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 issue share capital of the Company as at 30 June 2007
Liu Jinlan	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(notes 1 and 5)*	801,174,164	62.30%
Liu Xiang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(notes 2 and 5)*	801,174,164	62.30%
Tao Jinxiang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(notes 3 and 5)*	801,174,164	62.30%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES - *continued*

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issue share capital of the Company as at 30 June 2007
Zhang Yuxiao	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(notes 4 and 5)*	801,174,164	62.30%
Lu Guangming George	Interests of controlled corporations *(note 6)*	215,549,000	16.76%

Notes:

1. 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 2007, Great Trade Limited held 251,848,000 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 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 2007, In-Plus Limited held 142,714,000 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 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 2007, Perfect Sino Limited held 117,529,000 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 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 2007, Power Aim Limited held 41,975,000 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. Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao, being parties to each of the Tetrad Bond Agreement (as defined in the Prospectus) and the Henda Bond Agreement (as defined in the Prospectus), were deemed to be interested in the shares in which the other parties to such agreements (being Mr. Hang Youming, Tetrad Ventures Pte Ltd and Henda Limited) were interested for the purpose of Part XV of the SFO. Tetrad Ventures Pte Ltd and Henda Limited were holders of convertible bonds issued by the Company which are convertible into an aggregate of 205,133,164 shares in the Company subject to the terms and conditions thereof.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES - *continued*

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

6. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax-Estar Fund A, LLC. As at 30 June 2007, Surfmax-Estar Fund A, LLC held 207,269,000 shares in the Company. 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 2007. For the purpose of Part XV of the SFO, Mr. Lu Guangming George was deemed to be interested in the shares held by Surfmax-Estar Fund A, LLC and Win Wide International Ltd. respectively.

(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 2007
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 30 June 2007, 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

At no time during the six months ended 30 June 2007 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2007, the interests of the persons (other than the Directors or chief executive 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 2007
Great Trade Limited	Beneficial owner	251,848,000	19.58%
In-Plus Limited	Beneficial owner	153,000,000	11.90%
Perfect Sino Limited	Beneficial owner	126,000,000	9.80%
Hang Youming	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	801,174,164	62.30%
Surfmax-Estar Fund A, LLC	Beneficial owner	207,269,000	16.12%
Surfmax Corporation	Interest of a controlled corporation *(note 2)*	207,269,000	16.12%
Tetrad Ventures Pte Ltd	Beneficial owner and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 3)*	806,256,942	62.69%
GIC Special Investments Pte. Ltd.	Interest of a controlled corporation *(notes 3 & 4)*	806,256,942	62.69%
Government of Singapore Investment Corp. Pte. Ltd.	Interest of a controlled corporation *(notes 3 & 4)*	806,256,942	62.69%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interest of a controlled corporation *(notes 3 & 4)*	806,256,942	62.69%

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*

Name of shareholder	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 30 June 2007
Minister of Finance (Incorporated)	Interest of a controlled corporation *(notes 3 & 4)*	806,256,942	62.69%
The Goldman Sachs Group, Inc.	Interests of controlled corporations *(note 5)*	77,208,008	6.00%

Notes:

1. 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 2007, Wise Creative Limited held 41,975,000 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. Mr. Hang Youming, being a party to each of the Tetrad Bond Agreement (as defined in the Prospectus) and the Henda Bond Agreement (as defined in the Prospectus), was also deemed to be interested in the shares in which the other parties to such agreements (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Tetrad Ventures Pte Ltd and Henda Limited) were interested for the purpose of Part XV of the SFO. Tetrad Ventures Pte Ltd and Henda Limited were the holders of convertible bonds issued by the Company, which were convertible into an aggregate of 205,133,164 shares in the Company subject to the terms and conditions thereof.

2. Surfmax Corporation was the member manager of Surfmax-Estar Fund A, LLC. For the purpose of Part XV of the SFO, Surfmax Corporation was deemed to be interested in the shares held by Surfmax-Estar Fund A, LLC.

3. As at 30 June 2007, Tetrad Ventures Pte Ltd was the holder of convertible bonds issued by the Company, which were convertible into an aggregate of 167,256,942 shares in the Company subject to the terms and conditions thereof. Tetrad Ventures Pte Ltd, being a party to the Tetrad Bond Agreement, was deemed to be interested in the shares in which the other parties to such agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

4. Tetrad Ventures Pte Ltd is a wholly owned subsidiary of Government of Singapore Investment Corpoation (Ventures) Pte. Ltd., which in turn is a wholly-owned subsidiary of Minister of Finance (Incorporated). Tetrad Ventures Pte Ltd is also an investment vehicle managed by GIC Special Investments Pte. Ltd., the private equity investment arm of Government of Singapore Investment Corp. Pte. Ltd., which in turn is a wholly-owned subsidiary of Minister of Finance (Incorporated).

5. The Goldman Sachs Group, Inc. was deemed to be interested in 77,208,008 shares in the Company as at 30 June 2007 by virtue of its control over its subsidiary companies. The following companies controlled by The Goldman Sachs Group, Inc. had direct interests in the shares of the Company as at 30 June 2007: Goldman Sachs Strategic Investment Asia L.L.C. held 52,639,008 shares, Goldman Sachs & Co. held 5,161,000 shares, Goldman Sachs International held 11,919,000 shares, Goldman, Sachs & Co. Bank held 58,000 shares and Goldman Sachs (Asia) Finance held 7,431,000 shares.

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*

Save as aforesaid and as disclosed in the section "Directors' and chief executive's 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 2007 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 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 2007 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 Convenantors 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 Convenantors 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 maintain high standards of corporate governance. The Company has applied the principles in and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, except for the deviation from code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The reason of such deviation is set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2006.

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 by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the period under review.

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

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 2007.

USE OF PROCEEDS

The Company issued 386,000,000 new shares for HK$3.08 each share at its listing on the Stock Exchange on 21 December 2006 with net proceeds of approximately HK$1,087 million. The Group has applied the net proceeds as follows:

	Proposed uses of fund as stated in the Prospectus	**Actual uses of funds during the six months ended 30 June 2007**	**Balance of net proceeds as at 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*
Expansion of the production capacity of the production facilities	550,000	243,000	307,000
Installation of a manufacturing execution system (MES) and logistics management system	70,000	—	70,000
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	—	250,000
Set-up of international development departments	180,000	600	179,400
Working capital	37,000	37,000	—
Total	1,087,000	280,600	806,400

Up to 30 June 2007, the Group has utilized approximately HK$281 million of the net proceeds and the remaining amount of approximately HK$806 million was placed in short term deposits with licensed banks in Hong Kong and China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee together with the external auditors and the management has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2007.

On behalf of the Board

LIU Jinlan
Chairman

5 September 2007

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 20 to 32 which comprises the condensed consolidated balance sheet of Xingda International Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information consists of making enquiries, 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Six months ended 30 June	
	NOTES	**2007**	2006
		(unaudited)	*(audited)*
		RMB'000	*RMB'000*
Revenue	4	**1,253,448**	1,155,339
Cost of sales		**(940,395)**	(819,920)
Gross profit		**313,053**	335,419
Other income		**46,993**	31,748
Government grants		**4,473**	1,990
Selling and distribution expenses		**(47,609)**	(40,815)
Administrative expenses		**(72,454)**	(63,490)
Finance costs		**(49,667)**	(42,631)
Loss on fair value adjustment on the convertible bonds		**(71,752)**	(27,444)
Profit before tax		**123,037**	194,777
Income tax expense	5	**(30,105)**	(17)
Profit for the period	6	**92,932**	194,760
Profit attributable to:			
Equity holders of the Company		**41,421**	124,912
Minority shareholders		**51,511**	69,848
		92,932	194,760
Dividend paid	7	**50,305**	18,627
Earnings per share	8		
Basic (RMB fen)		**3.22**	13.88
Diluted (RMB fen)		**3.22**	12.99

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	**As at 30 June (unaudited) RMB'000**	As at 31 December (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,028,085**	1,879,021
Land use rights		**116,540**	117,783
Available-for-sale investments		**500**	500
Deposits paid for purchase of property, plant and equipment		**23,390**	1,017
		2,168,515	1,998,321
CURRENT ASSETS			
Land use rights		**2,487**	2,487
Inventories		**288,236**	226,045
Trade and other receivables	10	**1,417,752**	1,573,895
Bank balances and cash		**1,324,565**	1,370,242
		3,033,040	3,172,669
CURRENT LIABILITIES			
Trade and other payables	11	**570,645**	454,139
Amounts due to directors		**325**	319
Amount due to a related company		**2,048**	607
Amounts due to minority shareholders		**13,765**	8,996
Dividend payables		**1,219**	—
Tax payable		**43,718**	24,541
Bank borrowings – due within one year	12	**1,058,000**	1,159,960
Convertible bonds	13	**4,397**	7,493
		1,694,117	1,656,055
NET CURRENT ASSETS		**1,338,923**	1,516,614
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,507,438**	3,514,935
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	12	**91,000**	200,000
Convertible bonds	13	**795,777**	741,791
Government grants		**28,090**	15,000
		914,867	956,791
NET ASSETS		**2,592,571**	2,558,144
CAPITAL AND RESERVES			
Share capital	14	**129,405**	129,405
Reserves		**1,767,526**	1,776,410
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,896,931**	1,905,815
MINORITY INTERESTS		**695,640**	652,329
TOTAL EQUITY		**2,592,571**	2,558,144

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Capital contribution reserve	Statutory common reserve	Statutory public welfare fund	Retained earnings	Total	Attributable to minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note a)*	*RMB'000* *(note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006 (audited)	83	—	283,352	(126,702)	70,134	35,067	380,213	642,147	509,895	1,152,042
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	124,912	124,912	69,848	194,760
Transfer *(note c)*	—	—	—	—	35,067	(35,067)	—	—	—	—
Dividend	—	—	—	—	—	—	(18,627)	(18,627)	(8,200)	(26,827)
At 30 June 2006 (audited)	83	—	283,352	(126,702)	105,201	—	486,498	748,432	571,543	1,319,975
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	69,323	69,323	80,786	150,109
Appropriations	—	—	—	—	34,439	—	(34,439)	—	—	—
Capitalisation issue *(note d)*	90,500	(90,500)	—	—	—	—	—	—	—	—
Issue of shares through initial public offering	38,822	1,156,907	—	—	—	—	—	1,195,729	—	1,195,729
Transaction costs attributable to issue of shares	—	(107,669)	—	—	—	—	—	(107,669)	—	(107,669)
At 31 December 2006 (audited)	129,405	958,738	283,352	(126,702)	139,640	—	521,382	1,905,815	652,329	2,558,144
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	41,421	41,421	51,511	92,932
Dividend	—	—	—	—	—	—	(50,305)	(50,305)	(8,200)	(58,505)
At 30 June 2007 (unaudited)	129,405	958,738	283,352	(126,702)	139,640	—	512,498	1,896,931	695,640	2,592,571

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - *continued*

Notes:

(a) According to the Articles of Association of the subsidiaries, Jiangsu Xingda Steel Type Cords Co., Ltd. ("Jiangsu Xingda"), Xinghua Municipality Lianxing Machinery Manufacturing Co., Ltd. ("Xinghua Lianxing") 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.

(b) According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Xinghua Lianxing and Shanghai Xingda, they are required to transfer 5% to 10% of the profit after tax to the statutory public welfare fund. Transfer to this fund must be made before distributing dividends to shareholders. This fund can be used for the collective welfare of the employees of the subsidiaries in the People's Republic of China (the "PRC").

(c) In accordance with the latest PRC relevant laws and regulations, the unutilised statutory public welfare fund should be transferred to statutory common reserve.

(d) On 3 December 2006, the Company capitalised an amount of HK$89,922,000 (approximately RMB90,500,000) from the amount standing to the credit of the share premium account to pay up in full at par 899,220,000 shares for allotment and issue to persons whose names appear on the register of shareholders of the Company at the close of business on 30 November 2006 in proportion to their then respective shareholdings in the Company.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007	2006
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
NET CASH GENERATED BY OPERATING ACTIVITIES	**462,719**	108,996
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(236,583)**	(210,543)
Proceeds from disposal of property, plant and equipment	**10,724**	—
Purchase of land use rights	**—**	(5,323)
Other investing cash flows	**20,131**	9,071
	(205,728)	(206,795)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(1,175,000)**	(1,014,720)
Dividend paid	**(58,505)**	(15,627)
Bank borrowings raised	**964,040**	1,149,670
Other financing cash flows	**(33,203)**	(17,639)
	(302,668)	101,684
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(45,677)**	3,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**1,370,242**	294,301
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**1,324,565**	298,186

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on 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 PRC.

The consolidated financial information are presented in Renminbi, the currency of the primary economic environment in which the principal subsidiaries of the Company operate.

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value.

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007. The adoption of these new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

3. PRINCIPAL ACCOUNTING POLICIES - *continued*

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

IAS 23 (Revised)	Borrowing Costs[1]
IFRS 8	Operating Segments[1]
IFRIC – Int 11	IFRS 2: Group and Treasury Share Transactions[2]
IFRIC – Int 12	Service Concession Arrangements[3]
IFRIC – Int 13	Customer Loyalty Programmes[4]
IFRIC – Int 14	IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 March 2007

[3] Effective for annual periods beginning on or after 1 January 2008

[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group's operations are located in the PRC and substantially all of the Group's consolidated revenue and segment profit from operations are derived from the manufacture and trading of radial tire cords and bead wires. Accordingly, no analyses by business segment and geographical areas of operations are provided.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
The charge comprise:		
Current tax		
Current period	**30,105**	626
Overprovision in prior period	**—**	(609)
	30,105	17

The tax charge 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.

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

5. INCOME TAX EXPENSE - *continued*

Jiangsu Xingda became a sino-foreign joint venture upon becoming a subsidiary of Faith Maple International Ltd., a subsidiary of the Company, on 10 December 2004. Pursuant to the Foreign-Invested Enterprises and Foreign Enterprise Income Tax Law 外商投資企業和外國企業所得稅法 in the PRC, Jiangsu Xingda was entitled to the exemptions from PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from its first profit-making year, followed by a 50% tax relief for the next three years. Jiangsu Xingda was exempted from FEIT for the six months ended 30 June 2006 and a 50% tax relief for the six months ended 30 June 2007.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the PRC, which will unify the tax rate to 25% for both domestic and foreign investment enterprises from 1 January 2008. As a result, Jiangsu Xingda will be charged at a tax rate of 25% for the year ending 31 December 2010 after the expiration of 50% tax relief.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2007	2006
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property plant and equipment	**86,023**	71,498
Amortisation of land use rights	**1,243**	1,243
Research and development expenditure	**10,209**	8,413
Transaction costs in respect of issue of the convertible bonds	**—**	629
Exchange loss (gain)	**18,529**	(6,131)
Gain on disposal of property, plant and equipment	**(72)**	—

7. DIVIDEND PAID

	Six months ended 30 June	
	2007	2006
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Interim dividend paid for 2006 – US$232.96 per share	**—**	18,627
Final dividend paid for 2006 – HK 4 cents per share	**50,305**	—
	50,305	18,627

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit attributable to the equity holders of the Company for the period and by reference to 1,286,000,000 shares in issue (2006: 900,000,000).

There is no diluted effect on earnings per share for the six months ended 30 June 2007 as assuming the conversion of the Company's outstanding convertible bonds would result in an increase in earnings per share for the period.

The diluted earnings per share for the six months ended 30 June 2006 has been calculated based on the profit attributable to the equity holders of the Company for the period after adjustment related to convertible bonds for the purposes of diluted earnings per share of approximately RMB146,254,000 and by reference to the weighted average number of 1,125,562,842 shares which represents average number of 900,000,000 shares for the purposes of basic earnings per share plus the effect of dilutive potential ordinary shares of 225,562,842 shares attributable to the convertible bonds.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of RMB10,652,000 for proceeds of RMB10,724,000, resulting in a gain on disposal of RMB72,000.

In addition, the Group spent approximately RMB229,995,000 on the construction of its manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	As at 30 June 2007 ***(unaudited)*** ***RMB'000***	As at 31 December 2006 *(audited)* *RMB'000*
0 - 90 days	**693,563**	632,378
91 - 180 days	**165,132**	236,585
181 - 360 days	**129,583**	54,528
Over 360 days	**12,788**	6,082
	1,001,066	929,573
Less: Accumulated impairment losses	**(6,082)**	(6,082)
	994,984	923,491

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	As at 30 June 2007	As at 31 December 2006
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
0 - 90 days	**190,808**	146,334
91 - 180 days	**20,633**	18,224
181 - 360 days	**6,945**	5,427
Over 360 days	**5,732**	9,071
	224,118	179,056

12. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to RMB964,040,000. The loans carry interest at market rates from 5.67% to 6.93% per annum and are repayable either within one year or in 2009. The proceeds were used to finance the acquisition of property, plant and equipment. The Group also repaid bank borrowings of approximately RMB1,175,000,000 during the period.

13. CONVERTIBLE BONDS

The movement of the fair value of the convertible bonds with embedded derivative is as follows:

	As at 30 June 2007	As at 31 December 2006
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Nominal value of the convertible bonds issued	**396,750**	414,998
Accumulated changes in fair value	**409,948**	338,196
Accumulated coupon interest payment	**(6,524)**	(3,910)
At 30 June/31 December	**800,174**	749,284
Less: Interest payable within 12 months (shown under current liabilities)	**(4,397)**	(7,493)
Amount due for settlement after 12 months	**795,777**	741,791

On 7 May 2005, 29 December 2005 and 18 January 2006, the Company issued convertible bonds (referred to as the "Convertible Bonds" in this note) for an aggregate principal amount of US$30,400,000 ("First Tranche") US$19,667,000 and US$3,933,000 (together as "Second Tranche") with maturity dates at 7 May 2008, 29 December, 2008 and 18 January 2009, respectively, to two independent third parties who are entitled to interest payable at 1% per annum and at a conversion price of HK$1.853 per share. On 13 September 2006, one of the bondholders transferred part of the First Tranche bonds of a face value of approximately US$5,257,000 ("Transferred First Tranche") to another independent third party.

14. SHARE CAPITAL

	Number of shares	**Share capital**
		RMB'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2007 and 30 June 2007	3,000,000,000	301,410
Issued and fully paid:		
At 1 January 2007 and 30 June 2007	1,286,000,000	129,405

15. CAPITAL COMMITMENTS

	As at 30 June 2007 *(unaudited)* *RMB'000*	As at 31 December 2006 *(audited)* *RMB'000*
Capital expenditure in respect of purchase of property, plant and equipment contracted for but not provided in the financial information	**269,395**	85,519

16. RELATED PARTY TRANSACTIONS

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

			Six months ended 30 June	
			2007	2006
Name of related party	**Nature of transaction**	*Notes*	***(unaudited)***	*(audited)*
			RMB'000	*RMB'000*
Xingda Municpality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services	(a)	**1,695**	2,296
Labour Union of Jiangsu Xingda Tyre Cord Co., Ltd. ("Xingda Labour Union")	Rental expenses	(b)	**360**	360
	Union fees	(c)	**1,700**	1,246
Surfmax Corporation	Incentive compensation paid for negotiating and procuring the execution of the Convertible Bonds agreements	(d)	**—**	315

Notes:

(a) Xingda Xiu Yuan is a limited company whose equity interest is held as to 49% by Xingda Labour Union. Xingda Labour Union is a shareholder of Jiangsu Xingda and Xinghua Lianxing.

(b) The Group entered into tenancy agreements with Xingda Labour Union, pursuant to which Xingda Labour Union agreed to lease to the Group the premises located in Shanghai and Beijing at a monthly rental of RMB50,000 and RMB60,000, respectively. Leases are negotiated and rentals are fixed for terms from one to three years.

(c) The union fees were calculated at 2% on the annual staff salaries and wages of Jiangsu Xindga.

(d) Surfmax Corporation is wholly-owned by Mr. Lu Guangming, George, a common shareholder and director of Surfmax Corporation and the Company. An incentive compensation was calculated at 1% on the principal amount of the Convertible Bonds issued.

17. CONTINGENT LIABILITIES

On 1 September 2004, The Shanghai Second Intermediate People's Court 上海市第二級人民法院 (the "Court") served a formal notice to Jiangsu Xingda that 30,000,000 shares of Jiangsu Xingda held by 江蘇興宏達實業有限公司 Jiangsu Xing Hong Da Industrial Co., Ltd. ("Xing Hong Da") were frozen (the "Injunction Order"). The notice was silent on the prohibition of payment of dividends by Jiangsu Xingda to Xing Hong Da. However, advised by the PRC legal adviser to the Group, pursuant to the 最高人民法院關於人民法院執行工作若干問題規定 (Provisions of People's Court on Several Issues Concerning the Execution (for Trial Implementation)), the relevant enterprise, of which share capital is the subject of the frozen shares, shall be formally notified by the Court of the PRC not to (i) take any procedures to effect any transfer of the frozen shares nor (ii) pay any dividends to the person, whose interest in the frozen shares are the subject matter of the prohibition judgment, after the date of receipt of such notice.

Inadvertently, Jiangsu Xingda paid a dividend of RMB6,000,000 to Xing Hong Da on 24 January 2005. The legal adviser to the Group advised that the legal consequence for the payment of the dividend will only be confined to a monetary liability of up to RMB6,000,000 and that the probability of being liable for repayment of the amount is remote.

No provision has been made at 31 December 2006 and 30 June 2007 as the directors concur with the legal opinion that the chance of being liable for repaying RMB6,000,000 is remote.

In connection with the above, Jiangsu Xingda has obtained an indemnity from the parties who were shareholders of the Company prior to the listing, to indemnify the Company from time to time against any actions, claims losses, damages, costs, charges and expenses which may be made against, suffered or incurred in respect of arising, directly or indirectly, from or in connection with the dividend payment. The indemnity amount of each shareholder is calculated by the actual amount compensated by Jiangsu Xingda multiplied by the proportional interest of each shareholder.

The Court has subsequently released the Injunction Order on 8 August 2007. Consequently, the Group has no contingent liability regarding the payment of such dividends since then.

18. SUBSEQUENT EVENTS

On 5 July 2007 and 26 July 2007, the Company received conversion notices served by the bondholders electing to convert a principal amount of US$19,871,471 and US$4,500,000 of the First Tranche bonds, respectively at a conversion price of HK$1.853 per conversion share. Immediately following the allotment and issue of the conversion shares, the bondholders will hold 83,628,471 and 18,938,111 shares, respectively, representing approximately 6.5% and 1.38% of the existing issued share capital of the Company and approximately 6.1% and 1.36% of the enlarged issued share capital of the Company as at date of conversion, respectively.