



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)



2008
Interim Report

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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 Xiaohui
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. CHENG Kam Ho *CPA*

AUTHORIZED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:

Deacons

As to PRC Law:

Jingtian & Gongcheng

AUDITOR

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

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

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

01899

WEBSITE

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

FINANCIAL HIGHLIGHTS

OPERATING RESULTS	Six months ended 30 June		Change
	2008	2007	
	<i>RMB in million</i>	<i>RMB in million</i>	
Revenue	1,775.2	1,253.4	+41.6%
Gross profit	475.5	313.1	+51.9%
EBITDA ⁽¹⁾	485.8	331.7	+46.5%
Profit for the period	310.4	92.9	+234.1%
Profit attributable to equity holders of the Company	238.7	41.4	+476.6%
Underlying profit attributable to equity holders of the Company ⁽²⁾	224.0	130.0	+72.3%
Earnings per share – basic (RMB cents) ⁽³⁾	17.22	3.22	+434.8%
Adjusted earnings per share – basic (RMB cents) ⁽⁴⁾	16.16	10.11	+59.8%
FINANCIAL POSITION	30.6.2008	31.12.2007	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
Total assets	5,819.8	5,304.1	+9.7%
Total liabilities	2,294.5	2,015.2	+13.9%
Net assets	3,525.3	3,289.0	+7.2%
Shareholders' equity	2,706.0	2,541.4	+6.5%
KEY RATIOS	Six months ended 30 June		
	2008	2007	
Gross profit margin ⁽⁵⁾	26.8%	25.0%	
EBITDA margin ⁽⁶⁾	27.4%	26.5%	
Return on equity ⁽⁷⁾	8.8%	2.2%	
	30.6.2008	31.12.2007	
Current ratio ⁽⁸⁾	1.41	1.47	
Gearing ratio ⁽⁹⁾	28.0%	27.1%	
Net debts to equity ratio ⁽¹⁰⁾	30.9%	19.3%	

Notes:

- (1) It is arrived at profit for the period before finance costs, income tax, depreciation, amortization and gain or 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 gain or 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 2008 of 1,386,176,693 (30 June 2007: 1,286,000,000).
- (4) Underlying profit attributable to the equity holders of the Company divided by the number of shares in issue as at 30 June 2008 of 1,386,176,693 (30 June 2007: 1,286,000,000).
- (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 2008.

During the period under review, benefiting from strong market demand in the PRC, sales volume of radial tire cords of the Group surged approximately 29.7% while revenue increased 41.6% to RMB1,775.2 million as compared with the same period last year. With its efforts to implement various policies to raise profit and control cost, the Group effectively boosted gross profit margin to 26.8% from 25.0% in the same period of last year, and gross profit was also up by 51.9% to RMB475.5 million. Profit attributable to equity holders of the Company was RMB238.7 million, representing an increase of 476.6% compared with the same period of 2007. The Board of the Company does not recommend payment of interim dividend for the six months ended 30 June 2008.

During the period, the thriving economy and trading activities in the PRC, as well as the prospering automobile and road transportation sectors of the country has stimulated market demand for trucks. In addition, the improved consumption power of the PRC residents has boosted demand for automobiles. According to the China Association of Automobiles Manufacturers, in the first half of 2008, sales of truck recorded a year-on-year increase of 19.2% to approximately 950,000 units, while sales of automobile rose year-on-year by 16.0% to approximately 2.7 million units. The continuous demand growth gave a strong boost to the radial tires manufacturing industry in the PRC. According to the figures of China Rubber Industry Association, the tire manufacturing industry in the PRC is one of the fastest growing market in the world. Besides, the PRC is one of the largest tire manufacturing countries in the world and accounts for approximately 9.0% of the world market.

During the period, the price advantage of bias tires was obviously weakened because of consistently high rubber price. Hence, more and more truck drivers turned to use radial tires which in turn expedited the radialization rate of tires in the PRC. The Group benefited directly from this favorable market environment. According to the China Rubber Industry Association, in the six months ended 30 June 2008, the country exported approximately 5.6 million or 14.1% more radial tires year-on-year.

In order to enhance its overall profit, the Group implemented flexible pricing strategy during the period to shift a reasonable part of the increased cost to customers. The Group also strived to control cost by continuously using a higher portion of locally made steel wire rods and tightening relationship with suppliers, and through bulk purchase to ensure it had steady supply of steel wire rods at stable price. These internal and external measures allowed the Group to effectively mitigate the pressure from increasing raw material prices, as well as seize opportunities in the booming tire cords market, and thus improved the overall effectiveness of its operation.

In addition, Jiangsu Xingda Special Cord Co., Ltd. set up by the Group in 2007 commenced full operation and contributed profit to the Group gradually.

BUSINESS REVIEW

During the first half of 2008, the Group's total sales volume increased by 29.7% to 137,100 tonnes as compared with the same period of 2007. During the period, radial tire cords continued to be the Group's core product and 114,900 tonnes were sold, an increase of 29.8% year-on-year, accounting for 83.8% of the total sales volume (first half of 2007: 83.7%) of the Group. The sales volume of bead wires increased by 29.1% to 22,200 tonnes, accounting for 16.2% of the total sales volume (first half of 2007: 16.3%).

Radial tire cords can be divided into two main categories – for trucks and passenger cars. The Group has focused traditionally on selling radial tire cords for trucks which have a higher gross profit margin. During the period, the Group sold 98,000 tonnes of this said product, 36.9% more year-on-year, which boosted its marginal profit. The sales volume of radial tire cords for passenger cars was maintained at 16,900 tonnes. Radial tire cords for trucks and passenger cars accounted for 85.3% and 14.7% of the Group's total sales volume of radial tire cords respectively (first half of 2007: 80.9% and 19.1% respectively).

Driven by accelerating radialization of tires in the PRC, market demand for radial tire cords has been growing rapidly. Heeding this trend, the Group made PRC its target market for the period, which explained the 98.3% share in total sales volume contributed by domestic business. To consolidate its share in the domestic market, apart from retaining existing customers, the Group has actively sought to collaborate with leading domestic tire manufacturers. As for overseas business, it developed steadily and accounted for 1.7% of the Group's total sales volume.

During the period, although the price of locally supplied steel wire rods increased, with the Group using more of other materials generally at higher prices, steel wire rods therefore took up a slightly smaller portion of costs for the period and accounted for 52.2% of cost of sales (first half of 2007: 53.5%). Despite the pressure from rising raw material prices, exercising effective cost control and through adjusting the selling prices of products, etc., the Group was able to ease pressure from rising costs.

With the first phase of the Group's No.8 Factory in full operation, it boasted production capacity for radial tire cords of up to 284,000 tonnes during the six months ended 30 June 2008, up 30.2% as compared with same period last year, whereas production capacity for bead wires reached 66,000 tonnes, up 69.2% as compared with same period last year. The overall production utilization rate of the Group increased from 80.0% in the first half of 2007 to 86.0% in the first half of 2008.

The Group places strong emphasis on research and development and it developed 14 new types of radial tire cords during the period. As at 30 June 2008, the Group offers a portfolio of 97 types of radial tire cords and 30 types of bead wires (first half of 2007: 64 types of radial tire cords and 25 types of bead wires). The Group will continue to actively develop new products and improve production technology at its technical centre and new product research centre, so as to enhance the competitiveness of its products.

FINANCIAL REVIEW

Revenue

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

RMB in million	Six months ended 30 June				
	2008	Proportion (%)	2007	Proportion (%)	Change
Radial Tire Cords	1,624	91	1,163	93	461
- For Truck	1,425	80	974	78	451
- For Passenger Car	199	11	189	15	10
Bead Wires	151	9	90	7	61
Total	1,775	100	1,253	100	522

The Group achieved satisfactory results, making a total revenue of RMB1,775.2 million during the period, 41.6% or RMB521.8 million more than RMB1,253.4 million for the first half of 2007. The increase was mainly attributable to the increased average selling price for both radial tire cords and bead wires in the first half of 2008 and strong sales of the product. Benefiting from strong market demand, in the six months ended 30 June 2008, the Group sold 114,900 tonnes of radial tire cords, up by 29.8%. Sales of radial tire cords for truck in particular performed outstandingly in the PRC market.

Gross profit and gross profit margin

For the six months ended 30 June 2008, the Group's gross profit increased by 51.9% or RMB162.4 million to RMB475.5 million from RMB313.1 million for the first half of 2007, and gross profit margin increased from 25.0% to 26.8%. The increments were attributable to the increased average selling price of radial tire cords, effective cost control measures such as bulk purchase and increased sourcing of domestic raw materials, as well as continuous expansion of production capacity that enhanced manufacturing effectiveness and output ratio.

Other income and government grant

Other income of the Group reduced by RMB8.4 million, or 17.9%, from RMB47.0 million for the first half of 2007 to RMB38.6 million for the period under review. The decrease was caused by a drop in bank interest income, which partially offset the increase in sales of scrap raw materials. With the national policy which encourages development of the radial tire industry, the Government grant for the period increased by RMB37 million, or 822.2%, from RMB4.5 million for the first half of 2007 to RMB41.5 million for the first half of 2008. The increase was owed to the increased subsidy from the local government of Xinghua City.

Operating expenses

Selling and distribution expenses of the Group increased by RMB19.0 million, or 39.9%, from RMB47.6 million for the first half of 2007 to RMB66.6 million for the first half of 2008. The increase was mainly caused by the increase in transportation cost and rewards payable to sales team as a result of the sales volume growth and increase in average selling price of products. Against the same period last year, administrative expenses increased by RMB38.8 million during the period under review, attributable mainly to the expanded management workforce and increased staff cost, and impairment loss on trade and other receivables of RMB14.2 million.

FINANCIAL REVIEW - *continued*

Finance costs

Finance costs decreased by RMB5.4 million, or 10.9%, to RMB44.3 million for the first half of 2008 from RMB49.7 million for the same period in 2007. The decrease was mainly caused by a significant drop in interest on note receivables discounted, partially offset by the increase in interest on bank borrowings wholly repayable within one year.

Fair value adjustment on convertible bonds

The Company issued convertible bonds for an aggregate principal amount of approximately USD30.4 million, USD19.7 million and USD3.9 million (the "Convertible Bonds") on 7 May 2005, 29 December 2005 and 18 January 2006 respectively, with a coupon rate of 1.0% per annum and the respective maturity date is the banking day immediately preceding the third anniversary of the relevant 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 share price, the volatility of the market for the Company's shares and the time to maturity of the Convertible Bonds.

The gain on fair value adjustment on the Convertible Bonds was RMB19.0 million for the first half of 2008, representing a difference of RMB90.8 million, when compared to the loss of RMB71.8 million for the corresponding period in 2007. The gain for the first half of 2008 was mainly contributed by the drop in market price of the Company's shares from HKD1.91 per share as at 31 December 2007 to HKD1.40 per share as at 30 June 2008.

Income tax

The Group had an income tax charge of RMB42.0 million with an effective tax rate of approximately 11.9% during the period. The effective tax rate for the period decreased by approximately 12.6 percentage points from approximately 24.5% in the first half of 2007. The decrease was mainly the result of inclusion of deferred tax credit of RMB9.1 million in this period.

FINANCIAL REVIEW - *continued***Net profit**

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2008 amounted to RMB310.4 million, representing an increase of RMB217.5 million, or 234.1%, when compared with the corresponding period of last year. If the gain or loss on fair value adjustment on the convertible bonds and exchange difference arising from non-operating activities were excluded, the adjusted net profit of the Group for the six months ended 30 June 2008 would be RMB295.7 million, representing an increase of RMB114.2 million, or 62.9%, when compared with the same period last year.

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

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	310,368	92,932
(Gain) loss on fair value adjustment on the convertible bonds <i>(note)</i>	(18,971)	71,752
Non-trade nature exchange loss	4,339	16,862
	<hr/>	<hr/>
Underlying profit for the period	295,736	181,546
	<hr/> <hr/>	<hr/> <hr/>
Underlying profit for the period attributable to:		
Equity holders of the Company	224,031	130,035
Minority shareholders	71,705	51,511
	<hr/>	<hr/>
	295,736	181,546
	<hr/> <hr/>	<hr/> <hr/>

Note: Gain or loss on fair value adjustment on the convertible bonds represented the change in the fair value of the convertible bonds as calculated by an independent and recognized international business valuer. The change in fair value of the bonds did not arise from the ordinary course of operation of the Group.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The principal source of liquidity and capital resources was 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 by RMB157.4 million from RMB947.4 million as at 31 December 2007 to RMB790.0 million as at 30 June 2008. The decrease was the result of net cash used in investing activities including RMB272.9 million for expanding production capacity, partially offset by the bank loans borrowed less interest and financing activities undertaken in relation to dividend payment in the total net cash inflow of RMB105.9 million, as well as the net cash inflow of RMB9.6 million from operating activities.

Bank borrowings increased by RMB223.8 million, or 18.6%, to RMB1,425.5 million as at 30 June 2008 from RMB1,201.7 million as at 31 December 2007. The increase was mainly commanded by the need to finance acquisition of fixed assets and raw materials. The bank borrowings carry interest at market rates of between 5.91% to 9.20% and are repayable within one year from the balance sheet date.

The Group's current assets increased by RMB307.3 million, or 10.5%, from RMB2,923.8 million as at 31 December 2007 to RMB3,231.1 million as at 30 June 2008 and its current liabilities increased by 15.2% from RMB1,990.3 million as at 31 December 2007 to RMB2,293.6 million as at 30 June 2008. The Group's current ratio (being defined as current assets over current liabilities) was down from 1.47 times as at 31 December 2007 to 1.41 times as at 30 June 2008. The decrease was mainly caused by the decrease in bank balances and cash. Gearing ratio, which is measured by total debts (bank borrowings and Convertible Bonds) to total assets, was up from 27% as at 31 December 2007 to 28% as at 30 June 2008 because of increase in bank borrowings.

CONVERTIBLE BONDS

In May 2005, the Company issued the first tranche of Convertible Bonds ("First Tranche Bonds") to Tetrad Ventures Pte Ltd ("Tetrad") and Henda Limited ("Henda") for an aggregate principal amount of USD30.4 million (approximately RMB222.1 million). Subject to adjustment, the First Tranche Bonds are convertible at approximately HKD1.853 (approximately RMB1.735) per ordinary share of the Company ("Share") to be issued upon conversion. If the First Tranche Bonds have not been converted in full into Shares by 6 May 2008 ("First Tranche Maturity Date"), Tetrad and Henda may require the Company to redeem the outstanding amounts of the First Tranche Bonds respectively. In December 2005 and January 2006, Tetrad and Henda subscribed for the second tranche of Convertible Bonds ("Second Tranche Bonds") for an aggregate principal amount of USD23.6 million (approximately RMB172.4 million), which will be repayable by Tetrad and Henda in December 2008 and January 2009 respectively. The Second Tranche Bonds are also convertible at approximately HKD1.853 (approximately RMB1.735) per Share subject to adjustment. On 13 September 2006, Tetrad agreed to transfer to Goldman Sachs Strategic Investments (Asia) L.L.C. ("GSSIA") part of the First Tranche Bonds in the aggregate principal amount of approximately USD5.3 million (approximately RMB38.4 million).

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

In July 2007, Tetrad elected to convert a principal amount of approximately USD19.9 million (approximately RMB151.1 million) of the First Tranche Bonds into Shares at a conversion price of HKD1.853 per Share. Immediately following such conversion, Tetrad held 83,628,471 Shares (representing approximately 6.1% of the enlarged issued share capital of the Company), and the outstanding principal amount of the First Tranche Bond and the Second Tranche Bond held by Tetrad was USD204,804 (approximately RMB1.42 million) and USD19.7 million (approximately RMB134.9 million) respectively.

CONVERTIBLE BONDS - *continued*

In July 2007 and December 2007, Henda elected to convert a principal amount of USD4.5 million (approximately RMB32.9 million), being part of the First Tranche Bonds, and a principal amount of USD4.5 million, being the total outstanding principal amount of the First Tranche Bonds and the Second Tranche Bonds held by Henda, respectively, into shares at a conversion price of HKD1.853 per Share. Immediately following such conversions, Henda held 37,876,222 Shares (representing approximately 2.73% of the then enlarged issued share capital of the Company), and the First Tranche Bonds and the Second Tranche Bonds held by Henda were fully converted.

In April 2008, the Company received a notice given by GSSIA to extend the First Tranche Maturity Date for a period of one year to 6 May 2009. As at 30 June 2008, GSSIA has not exercised its conversion rights under the Convertible Bonds and the outstanding principal amount of the Convertible Bonds held by it is approximately USD5.3 million (approximately RMB38.4 million).

In May 2008, the Company received a notice given by Tetrad requiring the Company to redeem on the First Tranche Maturity Date an aggregate principal amount of USD204,804 (approximately RMB1.42 million) of the First Tranche Bonds, being all the outstanding principal amount of the First Tranche Bonds held by Tetrad, at the redemption amount of USD230,942 in accordance with the First Tranche Conditions. The Company have also paid Tetrad an amount of USD34,170 (approximately RMB240,000) being all the outstanding and unpaid interests accrued on the First Tranche Bonds held by Tetrad up to and including the First Tranche Maturity Date. Upon the redemption becoming effective, Tetrad held 83,628,471 Shares (representing approximately 6.03% of the then issued share capital of the Company), and the principal amount of USD204,804 of the First Tranche Bonds so redeemed have forthwith been cancelled whereas the outstanding principal amount of the Second Tranche Bonds held by Tetrad remained unchanged at USD19.7 million (approximately RMB134.9 million).

During the six months ended 30 June 2008, the Company paid the holders of the Convertible Bonds interest of USD137,691 (approximately RMB969,000) (first half of 2007: USD343,333 or RMB2.6 million).

Upon the allotment of Shares pursuant to the conversions mentioned above, the outstanding principal of the Convertible Bonds has been reduced to approximately USD25.0 million.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi and US dollars. As proceeds from sales in US dollars were used entirely in payment, appreciation of the Renminbi had little impact on the operation of the Group. As apart from certain bank balances in HK dollars and convertible bonds in US dollars, almost all of the assets and liabilities of the Group were denominated in Renminbi, except for those bank balances and convertible bonds, the Group was not exposed to significant foreign exchange risk. Thus, during the period under review, exchange rate fluctuation had not caused any major adverse impact on the operation or liquidity of the Group. Accordingly, the Group did not engage in any instrument to hedge against foreign exchange risks during the period under review. However, the Group will closely monitor the impact of change in value of the Renminbi on its operation and consider appropriate hedging solutions to use, if required.

CAPITAL COMMITMENTS

As at 30 June 2008, the Group had made capital commitment of approximately RMB 213.2 million (31 December 2007: RMB307.8 million) for acquisition of property, plant and equipment contracted for but not provided in the financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorized but not contracted for as at 30 June 2008.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2008.

HUMAN RESOURCES

As at 30 June 2008, the Group had approximately 7,100 (31 December 2007: approximately 6,500) full time employees and all of them were based in the PRC. Total staff costs including directors' remuneration for the six months ended 30 June 2008 was approximately RMB147.2 million (first half of 2007: approximately RMB91.8 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 programmes for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salary, 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 to support operation of the Xingda Labour Union ("Union Fee"). The Union Fee, together with other funds obtained by the Xingda Labour Union are used to provide different 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 2008, the amount of Union Fee contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB2.9 million (first half of 2007: RMB1.7 million).

On 14 January 1999, the State Council of the PRC published the Provisional Regulations for Collection of Social Funds (the "Social Insurance Regulations"). According to the Social Insurance Regulations, the Group is required to make contributions to pension funds, medical insurance, work-related injury insurance and unemployment insurance (collectively, "Social Insurance Funds") for its employees. Full-time employees of the Group in the PRC are covered by the contributory pension scheme managed by the state entitling them to a monthly pension after they retired. 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 operating expense of the Group. Under the scheme, no forfeited contributions are available to reduce the existing level of contributions.

PROSPECTS

With the PRC economy thriving and the tire industry of the country going through consolidation, the Group expects demand for radial tire cords to keep increasing, hence provide it with strong growth impetus. To satisfy domestic and overseas market demands and prepare for full scale radialization of tires in the country, the Group will expand production capacity continually, targeting to increase its annual production capacity for high performance radial tire cords by 40,000 to 50,000 tonnes in the next three years. The Group will also control production cost strictly, continue to suppress expenses through bulk purchase and strengthen relationship with suppliers and customers, so as to stabilize and boost profit.

In the second half of 2008, the Group expects the prices of raw materials to stand high. To cope with rising cost pressure, Xingda will remain pragmatic and prudent, and at the same time actively improve cost effectiveness. With extensive experience in producing radial tire cords and boasting advanced technologies, Xingda is confident of its ability to triumph over challenges and head toward a bright future. Looking forward, the Group will strive to expand its business, riding on its solid expansion strategy to gradually enlarge market share and income base, as well as keep an optimum development pace. It will seek to strengthen leadership in the PRC radial tire cords industry and bring better returns to shareholders.

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 2008.

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

As at 30 June 2008, 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 issued share capital of the Company as at 30 June 2008
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)	803,544,253	57.97%
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)	803,544,253	57.97%
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)	803,544,253	57.97%

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 issued share capital of the Company as at 30 June 2008
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)	803,544,253	57.97%
Lu Guangming George	Interests of controlled corporations (note 6)	215,549,000	15.55%

Notes:

- 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 ("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 2008, Great Trade Limited held 253,480,000 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 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 2008, In-Plus Limited held 143,814,000 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 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 2008, 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.
- 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 2008, 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.

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*

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. As at 30 June 2008, Tetrad Ventures Pte Ltd held 83,628,471 shares in the Company which were issued upon conversion of part of the Tetrad Bond (as defined in the Prospectus), and Henda Limited held 37,876,222 shares in the Company which were issued upon full conversion of the Henda Bond (as defined in the Prospectus). As at 30 June 2008, Tetrad Ventures Pte Ltd was the holder of convertible bonds issued by the Company which are convertible into an aggregate of 83,628,471 shares in the Company subject to the terms and conditions thereof.
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 2008, 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 2008. 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 2008
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 30 June 2008, 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 2008 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 PURSUANT TO PART XV OF THE SFO

As at 30 June 2008, 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 2008
Great Trade Limited	Beneficial owner	251,848,000	18.17%
In-Plus Limited	Beneficial owner	142,714,000	10.30%
Perfect Sino Limited	Beneficial owner	117,529,000	8.48%
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)	804,406,164	58.03%
Surfmax-Estar Fund A, LLC	Beneficial owner	207,269,000	14.95%
Surfmax Corporation	Interest of a controlled corporation (note 2)	207,269,000	14.95%
Tetrad Ventures Pte Ltd	Beneficial owner (note 3)	167,256,942	12.07%
GIC Special Investments Pte. Ltd.	Interest of a controlled corporation (notes 3 & 4)	167,256,942	12.07%
Government of Singapore Investment Corp. Pte. Ltd.	Interest of a controlled corporation (notes 3 & 4)	167,256,942	12.07%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interest of a controlled corporation (notes 3 & 4)	167,256,942	12.07%
Minister of Finance (Incorporated)	Interest of a controlled corporation (notes 3 & 4)	167,256,942	12.07%

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. 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 2008, Wise Creative Limited held 42,475,000 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. As at 30 June 2008, Tetrad Ventures Pte Ltd held 83,628,471 shares in the Company which were issued upon conversion of part of the Tetrad Bond (as defined in the Prospectus), and Henda Limited held 37,876,222 shares in the Company which were issued upon full conversion of the Henda Bond (as defined in the Prospectus). As at 30 June 2008, Tetrad Ventures Pte Ltd was the holder of convertible bonds issued by the Company which are convertible into an aggregate of 83,628,471 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 2008, Tetrad Ventures Pte Ltd held 83,628,471 shares in the Company which were issued upon conversion of part of the Tetrad Bond (as defined in the Prospectus), and was the holder of convertible bonds issued by the Company which are convertible into an aggregate of 82,766,560 shares in the Company subject to the terms and conditions thereof.
4. Tetrad Ventures Pte Ltd is a wholly owned subsidiary of Government of Singapore Investment Corporation (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).

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 2008 which is 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 2008 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 2008, 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 chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure the Board acts in the best interest of the Company. The Company does not have the position of chief executive officer and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining five executive Directors, the Executive Committee of the Company (comprising four executive Directors) 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors 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 2008.

CORPORATE SOCIAL RESPONSIBILITY

On 12 May 2008, an earthquake hits Sichuan Province, a mountainous region in Western China. The earthquake disaster caused a huge financial loss to the Country and psychological disturbance to the victims. The Group supported the earthquake-stricken area by making donations with an amount of RMB 5 million. This donation is used to support relief and reconstruction in the affected area. This express the Group is always willing to take up corporate social responsibility and obligation that an enterprise should shoulder.

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 HK\$1,087 million are intended to be applied for the following purposes:

- approximately HK\$550 million is intended for the expansion of the production capacity of the production facilities;
- approximately HK\$70 million is intended for the installation of a manufacturing execution system (MES) and logistics management system;
- approximately HK\$250 million is intended for implementing the overseas expansion strategies through acquisition of suitable business targets;
- approximately HK\$180 million is intended for the set-up of international development departments;
- the remaining balance of approximately HK\$37 million is intended to be used as general working capital.

Up to 30 June 2008, the Group has utilized approximately HK\$648 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus	Actual uses of funds up to 30 June 2008	Balance of net proceeds as at 30 June 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'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	1,200	68,800
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	—	250,000
Set-up of international development departments	180,000	59,600	120,400
Working capital	37,000	37,000	—
Total	<u>1,087,000</u>	<u>647,800</u>	<u>439,200</u>

The remaining amount of approximately HK\$439 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to use the proceeds in accordance with that as disclosed in the Prospectus.

REVIEW OF INTERIM FINANCIAL STATEMENT

The Audit Committee together with the external auditors and the management have 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 2008.

By Order of the Board

XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan

Chairman

Shanghai, the PRC, 8 September 2008

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 22 to 34 which comprises the condensed consolidated balance sheet of Xingda International Holdings Limited as of 30 June 2008 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

8 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	Six months ended 30 June	
		2008 <i>(unaudited)</i> RMB'000	2007 <i>(unaudited)</i> RMB'000
Revenue	4	1,775,187	1,253,448
Cost of sales		(1,299,664)	(940,395)
Gross profit		475,523	313,053
Other income		38,563	46,993
Government grants		41,474	4,473
Selling and distribution expenses		(66,555)	(47,609)
Administrative expenses		(111,298)	(72,454)
Finance costs		(44,332)	(49,667)
Gain (loss) on fair value adjustment on the convertible bonds		18,971	(71,752)
Profit before tax		352,346	123,037
Income tax expense	5	(41,978)	(30,105)
Profit for the period	6	310,368	92,932
Profit attributable to:			
Equity holders of the Company		238,663	41,421
Minority shareholders		71,705	51,511
		310,368	92,932
Dividend paid	7	74,043	50,305
Earnings per share	8		
Basic (RMB fen)		17.22	3.22
Diluted (RMB fen)		13.76	3.22

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	As at 30 June 2008 (unaudited) RMB'000	As at 31 December 2007 (audited) RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,139,059	2,074,219
Prepaid lease payments		114,055	115,298
Available-for-sale investments		500	500
Deposits paid for purchase of property, plant and equipment		325,973	190,294
Deferred tax assets	14	9,085	—
		2,588,672	2,380,311
CURRENT ASSETS			
Prepaid lease payments		2,487	2,487
Inventories		373,714	288,724
Trade and other receivables	10	2,046,248	1,642,559
Pledged bank deposits		18,685	42,676
Bank balances and cash		789,964	947,356
		3,231,098	2,923,802
CURRENT LIABILITIES			
Trade and other payables	11	604,877	500,142
Amounts due to directors		47	335
Amount due to a related company		2,838	2,844
Dividend payable		35	—
Tax payable		59,149	48,128
Bank borrowings - due within one year	12	1,425,515	1,201,720
Convertible bonds	13	201,123	237,083
		2,293,584	1,990,252
NET CURRENT ASSETS		937,514	933,550
TOTAL ASSETS LESS CURRENT LIABILITIES		3,526,186	3,313,861
NON-CURRENT LIABILITY			
Government grants		900	24,900
NET ASSETS		3,525,286	3,288,961
CAPITAL AND RESERVES			
Share capital	15	139,091	139,091
Reserves		2,566,952	2,402,332
		2,706,043	2,541,423
MINORITY INTERESTS		819,243	747,538
TOTAL EQUITY		3,525,286	3,288,961

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Capital contribution reserve	Statutory common reserve	Capital redemption reserve	Retained earnings	Total	Attributable to minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007 (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 recognized 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
Profit for the period, representing total recognized income for the period	—	—	—	—	—	—	303,991	303,991	51,898	355,889
Appropriations	—	—	—	—	44,178	—	(44,178)	—	—	—
Repurchase of ordinary shares	(2,062)	—	—	—	—	2,062	(52,756)	(52,756)	—	(52,756)
Issue of new shares upon conversion of convertible bonds	11,748	381,509	—	—	—	—	—	393,257	—	393,257
At 31 December 2007 (audited)	139,091	1,340,247	283,352	(126,702)	183,818	2,062	719,555	2,541,423	747,538	3,288,961
Profit for the period, representing total recognized income for the period	—	—	—	—	—	—	238,663	238,663	71,705	310,368
Dividend	—	—	—	—	—	—	(74,043)	(74,043)	—	(74,043)
At 30 June 2008 (unaudited)	139,091	1,340,247	283,352	(126,702)	183,818	2,062	884,175	2,706,043	819,243	3,525,286

Note: According to the Articles of Association of the subsidiaries, Jiangsu Xingda Steel Type Cords Co., Ltd. ("Jiangsu Xingda"), Jiangsu Xingda Special Cord Co., Ltd. ("Jiangsu Xingda Special Cord"), 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 equity holders. 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 CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	<i>(unaudited)</i>	<i>(unaudited)</i>
	RMB'000	<i>RMB'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	9,595	462,719
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of and deposit paid for purchase of property, plant and equipment	(314,521)	(236,583)
Proceeds from disposal of property, plant and equipment	7,437	10,724
Other investing cash flows	34,210	20,131
	(272,874)	(205,728)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		
Bank borrowings raised	1,437,712	964,040
Repayment of bank borrowings	(1,213,917)	(1,175,000)
Dividend paid	(74,008)	(58,505)
Other financing cash flows	(43,900)	(33,203)
	105,887	(302,668)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(157,392)	(45,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	947,356	1,370,242
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	789,964	1,324,565

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 People's Republic of China (the "PRC").

The interim financial information is 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 manufacture and trading of radial tire cords and bead wires.

2. BASIS OF PREPARATION

The interim 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 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 interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, new interpretations ("New Interpretations") issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are effective for the Group's financial year beginning 1 January 2008. The adoption of these New Interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the new, revised and amended standards or interpretations that have been issued but are not yet effective. The adoption of IFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on, or after 1 July 2009. IAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised 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 to customers substantially located in the PRC. Accordingly, no analyses by business segment and geographical areas of operations are provided.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	(unaudited)	<i>(unaudited)</i>
	RMB'000	<i>RMB'000</i>
The charge comprises:		
Current tax		
Current period	51,063	30,105
Deferred taxation (note 14)	(9,085)	—
	41,978	30,105

The tax charge in respect of the current period 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 interim financial information as the Group's profit neither arises in, nor is derived from, Hong Kong for both periods.

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 enjoying a 50% tax relief for the six months ended 30 June 2008 and 30 June 2007 respectively.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries of the Company from 1 January 2008.

At 30 June 2008, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was RMB287.4 million. No liability has been recognized 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.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2008	2007
	(unaudited)	<i>(unaudited)</i>
	RMB'000	<i>RMB'000</i>
Depreciation of property, plant and equipment	106,879	86,023
Amortization of prepaid lease payments	1,243	1,243
Allowance for doubtful debts	14,214	—
Research and development expenditure	9,389	10,209
Exchange loss, net	12,036	18,529
Gain on disposal of property, plant and equipment	(314)	(72)
	<u><u>163,437</u></u>	<u><u>134,032</u></u>

7. DIVIDEND PAID

	Six months ended 30 June	
	2008	2007
	(unaudited)	<i>(unaudited)</i>
	RMB'000	<i>RMB'000</i>
Final dividend paid for 2007 - HK 6 cents per share (2007: final dividend paid for 2006 - HK 4 cents per share)	74,043	50,305
	<u><u>74,043</u></u>	<u><u>50,305</u></u>

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2008	2007
	(unaudited)	<i>(unaudited)</i>
	RMB'000	<i>RMB'000</i>
		<i>(Note)</i>
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	238,663	41,421
Effect of dilutive potential ordinary shares:		
Fair value adjustment on the convertible bonds	(18,971)	—
Exchange realignment on the convertible bonds	(14,415)	—
	<u>205,277</u>	<u>41,421</u>
Earnings for the purposes of the diluted earnings per share	<u>'000</u>	<u>'000</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,386,177	1,286,000
Effect of dilutive potential ordinary shares on convertible bonds	105,487	—
	<u>1,491,664</u>	<u>1,286,000</u>

Note: For the six months ended 30 June 2007, the computation of diluted earnings per share did not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of approximately RMB7,123,000 (for the six months ended 30 June 2007: RMB10,652,000) for proceeds of approximately RMB7,437,000 (for the six months ended 30 June 2007: RMB10,724,000), resulting in a gain on disposal of RMB314,000 (for the six months ended 30 June 2007: RMB72,000).

In addition, the Group spent approximately RMB178,842,000 (for the six months ended 30 June 2007: RMB245,738,000) on the construction of its manufacturing plant in the PRC and purchase of other plant and equipment, in order to upgrade its manufacturing capabilities.

10. TRADE AND OTHER RECEIVABLES

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

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

	As at 30 June 2008 (unaudited) RMB'000	As at 31 December 2007 (audited) RMB'000
Trade receivables		
0 - 90 days	902,319	706,665
91 - 180 days	145,108	115,024
181 - 360 days	96,536	98,824
Over 360 days	27,553	49,238
	1,171,516	969,751
Less: Allowance for doubtful debts	(24,456)	(10,411)
	1,147,060	959,340
Note receivables		
0 - 90 days	256,133	241,199
91 - 180 days	286,765	228,733
	542,898	469,932
Advance to suppliers	331,021	137,581
Excess payment for purchase of properties	—	29,166
Other receivables and prepayments	25,558	46,660
Less: Allowance for doubtful debts	(289)	(120)
	356,290	213,287
	2,046,248	1,642,559

11. TRADE AND OTHER PAYABLES

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

	As at	As at
	30 June	31 December
	2008	2007
	(unaudited)	<i>(audited)</i>
	RMB'000	<i>RMB'000</i>
Trade payables		
0 - 90 days	150,232	139,113
91 - 180 days	30,230	30,476
181 - 360 days	4,579	9,220
Over 360 days	5,080	5,686
	<hr/> 190,121 <hr/>	<hr/> 184,495 <hr/>
Note payables		
0 - 90 days	162,000	—
	<hr/> 162,000 <hr/>	<hr/> — <hr/>
Value-added tax payable and other tax payables	48,069	28,046
Accrued staff costs	80,863	100,077
Payables for purchase of property, plant and equipment	60,662	110,719
Accrued electricity charges	24,945	25,777
Others	38,217	51,028
	<hr/> 252,756 <hr/>	<hr/> 315,647 <hr/>
	<hr/> 604,877 <hr/> <hr/>	<hr/> 500,142 <hr/> <hr/>

12. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to RMB1,437,712,000. The loans carry interest at floating market rates from 5.913% to 9.200% per annum and are repayable within one year. The proceeds were used to finance the acquisition of property, plant and equipment and as working capital. The Group also repaid bank borrowings of approximately RMB1,213,917,000 during the period.

13. CONVERTIBLE BONDS

The movements of the convertible bonds with embedded derivative are as follows:

	As at	As at
	30 June	31 December
	2008	2007
	(unaudited)	<i>(audited)</i>
	RMB'000	<i>RMB'000</i>
At 1 January	237,083	749,284
Exchange realignment	(14,415)	(38,083)
Gain arising on change of fair value	(18,971)	(76,915)
Interest payment	(970)	(3,946)
Conversion of the bonds	—	(393,257)
Redemption of the bonds	(1,604)	—
At 30 June/ 31 December	201,123	237,083

On 18 April 2008, the Company received a notice given by one of the First Tranche bondholders to extend the maturity date for a period of one year to 6 May 2009. The outstanding principal amount of this First Tranche bondholder is US\$5,257,058.

On 6 May 2008, the Company received a notice given by Tetrad Ventures Pte Ltd ("Tetrad"), a First Tranche bondholder, to redeem on the maturity date an aggregate principal amount of US\$204,804 of the First Tranche Bond, being all the outstanding principal amount of the First Tranche Bond, at the redemption amount of US\$230,942. The Company shall also pay Tetrad an amount of US\$34,169, being all the outstanding and unpaid interest accrued on the First Tranche Bond up to and including the maturity date.

Upon the said redemption becoming effective, the outstanding principal of the convertible bonds has been reduced from US\$25,128,529 to US\$24,923,725.

14. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognized and movements thereon during the current and prior periods:

	Accelerated tax depreciation	Allowance doubtful debts	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2007 (audited), 30 June 2007 (unaudited) and 31 December 2007 (audited)	—	—	—
Credit to income for the period	(7,308)	(1,777)	(9,085)
At 30 June 2008 (unaudited)	<u>(7,308)</u>	<u>(1,777)</u>	<u>(9,085)</u>

15. SHARE CAPITAL

	Number of shares	Share capital
		<i>RMB'000</i>
Ordinary shares of US\$1 each		
Authorized:		
At 1 January 2008 and 30 June 2008	3,000,000,000	301,410
Issued and fully paid		
At 1 January 2008 and 30 June 2008	<u>1,386,176,693</u>	<u>139,091</u>

16. CAPITAL COMMITMENTS

	As at 30 June 2008 (unaudited) RMB'000	As at 31 December 2007 (audited) RMB'000
Capital expenditure in respect of purchase of property, plant and equipment contracted for but not provided in the interim financial information	<u>213,152</u>	<u>307,756</u>

17. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	Notes	Six months ended 30 June	
			2008 (unaudited) RMB'000	2007 (unaudited) RMB'000
Xingda Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services	(a)	1,966	1,695
Labour Union of Jiangsu Xingda Tyre Cord Co., Ltd. ("Xingda Labour Union")	Rental expenses Union fees	(a), (b) (a), (c)	— 2,872	360 1,700

Notes:

- (a) Xingda Xiu Yuan is a limited liability company whose equity interest is held as to 15% 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. The leases were terminated at the beginning of the year 2007.
- (c) The union fees were calculated at 2% on the annual staff salaries and wages of Jiangsu Xingda.