



XINGDA INTERNATIONAL HOLDINGS LIMITED 興達國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1899)



Interim Report 2009

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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*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:

Deacons

As to PRC Law:

Jingtian & Gongcheng

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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		Change
	2009	2008	
	<i>RMB in million</i>	<i>RMB in million</i>	
Revenue	1,526.8	1,775.2	-14.0%
Gross profit	385.1	475.5	-19.0%
EBITDA ⁽¹⁾	462.2	485.8	-4.9%
Profit for the period	269.3	310.4	-13.2%
Profit attributable to owners of the Company	200.8	238.7	-15.9%
Underlying profit attributable to owners of the Company ⁽²⁾	203.0	224.0	-9.4%
Earnings per share – basic (RMB fen)	14.49	17.22	-15.9%
– diluted (RMB fen)	14.40	13.76	+4.7%
FINANCIAL POSITION	30.6.2009	31.12.2008	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
Total assets	6,054.2	5,438.4	+11.3%
Total liabilities	2,019.3	1,681.1	+20.1%
Net assets	4,034.9	3,757.3	+7.4%
Shareholders' equity	3,102.9	2,885.6	+7.5%
KEY RATIOS	Six months ended 30 June		
	2009	2008	
Gross profit margin ⁽³⁾	25.2%	26.8%	
EBITDA margin ⁽⁴⁾	30.3%	27.4%	
Return on equity ⁽⁵⁾	6.5%	8.8%	
	30.6.2009	31.12.2008	
Current ratio ⁽⁶⁾	1.41	1.52	
Gearing ratio ⁽⁷⁾	24.5%	21.3%	
Net debts to equity ratio ⁽⁸⁾	24.5%	24.7%	

Notes:

- (1) It is arrived at profit for the period before finance costs, income tax expense, depreciation, amortization and gain or loss on fair value adjustment on the convertible bonds.
- (2) Underlying profit attributable to the owners of the Company is arrived at profit attributable to the owners of the Company adding back the gain or loss on the fair value adjustment on the convertible bonds and exchange difference arising from non-operating activities.
- (3) Gross profit divided by revenue.
- (4) EBITDA divided by revenue.
- (5) Profit attributable to owners of the Company divided by shareholders' equity.
- (6) Current assets divided by current liabilities.
- (7) Total debts (bank borrowings and convertible bonds) divided by total assets.
- (8) 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 2009.

The PRC Central Government’s economic stimulus program launched during the period, coupled with the real radial tire demand resumed in the second quarter of 2009, have largely offset the negative impacts posted by the financial turmoil in the fourth quarter of 2008 and the traditional slack season in the first quarter of 2009. Sales orders of the Group were recovered soonest in March 2009, leveled down the total sales drop in the first six months of 2009. The Group’s revenue during the period recorded RMB1,526.8 million (first half of 2008: RMB1,775.2 million). Gross profit and margin decreased to RMB385.1 million (first half of 2008: RMB475.5 million) and 25.2% (first half of 2008: 26.8%) respectively. Together with the Group’s effective cost saving measures, Xingda managed to maintain its profit attributable to owners of the Company at RMB200.8 million (first half of 2008: RMB238.7 million). The Board does not recommend payment of interim dividend for the six months ended 30 June 2009.

The overall operating environment of the PRC was at the uptrend during the period, booming demand for radial tire provided favorable conditions for downstream players, especially those domestic leading tire manufacturers, and hence the upstream leading players like the Group. On the one side, demand for truck tire was boosted by domestic construction and infrastructure projects which stimulated the road transportation sectors. While tire demand for passenger car was resumed with the auto stimulus package offered by provincial and city governments.

According to the China Association of Automobiles Manufacturers, in the first half of 2009, sales of truck rose by 16.5% to approximately 1.10 million units while sales of passenger car recorded a year-on-year increase of 21.6% to approximately 3.24 million units, contributing to the growth of demand for truck tire and passenger car tire in the second quarter of 2009. By reference to the statistics provided by the China Rubber Industry Association, radial tires output in China from January to June 2009 increased by 17% to approximately 158 million units, representing the prompt recovery of the radial tire cord industry after the economic downturn at the end of 2008.

BUSINESS REVIEW

During the first half of 2009, the Group's total sales volume dropped to 119,500 tonnes, 12.8% less than the same period of 2008. Radial tire cords continued to be the Group's core product and 101,700 tonnes were sold, a year-on-year decrease of 11.5%, accounting for 85.1% of the total sales volume (first half of 2008: 83.8%) of the Group. The sales volume of bead wires decreased by 19.8% to 17,800 tonnes, accounting for 14.9% of the total sales volume (first half of 2008: 16.2%).

The sales of radial tire cords for truck, which have a higher gross profit margin, continued to be the Group's major source of income. Nevertheless, the sales volume of the said product dropped to 84,400 tonnes in the first half of 2009, a decrease of 13.9% when compared with the same period of last year. The drop of sales of the above product was partially offset by the increase in sales of radial tire cords for passenger car, which recorded a year-on-year growth of 2.4% to 17,300 tonnes. Radial tire cords for truck and passenger car accounted for 83.0% and 17.0% of the Group's total sales volume of radial tire cords respectively (first half of 2008: 85.3% and 14.7% respectively).

During the period, domestic business continued to dominate and contributed 95.1% share in total sales volume. With the Group's endeavors to expand the overseas market, big improvement could be seen in overseas market which both overseas sales volume and revenue share approximately 5% of the Group's total sales volume and revenue in the first half of 2009.

During the period, the Group increased sourcing and usage of domestic steel wire rods and succeeded in reducing acquisition costs in the second quarter to control the cost of steel wire rods in general, accounting for 52.4% of total cost of sales (first half of 2008: 52.2%). The Group will continue to exercise effective cost control measures and adjust the product average selling price timely, in order to stabilize the Group's profit margin.

With the expansion plan of the Group's No. 8 Factory carried out, the production capacity for radial tire cords was up 10.9% to 315,000 tonnes while that of bead wires reached 66,000 tonnes, which is the same as compared with the same period in 2008. The overall production utilization rate of the Group decreased from 86.0% in the first half of 2008 to 61.4% in the first half of 2009 and it is expected that the increased production capacity should be able to meet the market demand for the second half of 2009.

The Group continued to focus on research and development and it developed 6 new types of radial tire cords and 4 types of bead wires during the period. As at 30 June 2009, the Group offers a portfolio of 120 types of radial tire cords and 46 types of bead wires (first half of 2008: 97 types of radial tire cords and 30 types of bead wires).

FINANCIAL REVIEW

Revenue

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

<i>RMB in million</i>	Six months ended 30 June				
	2009	Proportion (%)	2008	Proportion (%)	Change
Radial Tire Cords	1,420	93	1,624	91	-204
- For Truck	1,212	79	1,425	80	-213
- For Passenger Car	208	14	199	11	9
Bead Wires	107	7	151	9	-44
Total	1,527	100	1,775	100	-248

The Group achieved a total revenue of RMB1,526.8 million during the period, 14.0% or RMB248.4 million less than RMB1,775.2 million for the first half of 2008. The decrease was mainly due to the drop of sales of radial tire cords for truck during the period. Regardless of the decrease of sales in radial tire cords for truck, sales of the said product continued to dominate the Group's business. As the Group accepted more export orders for radial tire cord for passenger car, therefore, both the sales volume and revenue for the radial tire cords for passenger car increased 2.4% and 4.5% compared with the same period in last year, respectively.

Gross profit and gross profit margin

For the six months ended 30 June 2009, the Group's gross profit declined by 19.0% or RMB90.4 million to RMB385.1 million from RMB475.5 million for the first half of 2008. The decrease was mainly caused by the drop of market demand and the consumption of relative high costs steel rods in the first quarter of 2009. Nonetheless, the Group succeeded in minimizing the extent of decrease through bulk purchase of steel wire rods when the price of them dropped in the second quarter of 2009. The overall gross profit margin of the Group decreased slightly from 26.8% to 25.2% resulting from an increase in sales proportion of radial tire cords for passenger car of which the gross profit margin is relatively lower than those for truck.

Other income and government grant

Other income of the Group increased by RMB7.7 million, or 19.9%, from RMB38.6 million for the first half of 2008 to RMB46.3 million for the period under review. The increase was attributable to the discounts received from various creditors fully offset the decrease in both bank interest income and sales of scrap raw materials. Due to the decreased subsidy from the local government of Xinghua City, the Government grant for the period dropped by 40.0% from RMB41.5 million for the first half of 2008 to RMB24.9 million for the first half of 2009.

FINANCIAL REVIEW - *continued*

Operating expenses

Selling and distribution expenses of the Group decreased from RMB66.6 million for the first half of 2008 to RMB54.1 million for the first half of 2009, representing a decrease of 18.8%. It was mainly caused by the decrease in salaries and rewards payable to sales team in line with the decrease in revenue. When compared to the same period of 2008, administrative expenses for the six months ended 30 June 2009 decreased by RMB52.2 million. Such a decrement was mainly due to the decrease in remuneration for senior management, impairment on trade and other receivables and exchange loss.

Finance costs

Finance costs decreased by RMB12.6 million or 28.4% to RMB31.7 million from RMB44.3 million in the same period of 2008. The decrease was mainly caused by the decrease in effective interest rate.

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 (subject to extension in accordance with the terms and conditions of the Convertible Bonds). 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 of the Company's shares, the volatility of the market for the Company's shares and the time to maturity of the Convertible Bonds.

The loss on fair value adjustment on the Convertible Bonds was RMB1.0 million for the first half of 2009, representing a difference of RMB20.0 million, when compared to the gain of RMB19.0 million for the corresponding period in 2008. The loss for the first half of 2009 was mainly due to the increase in market price of the Company's shares from HKD0.74 per share as at 31 December 2008 to HKD1.65 per share as at 6 May 2009, the maturity date of the remaining Convertible Bonds held by the Company.

Income tax

The Group had an income tax charge of RMB41.1 million with an effective tax rate of approximately 13.2% during the period. The effective tax rate for the period increased slightly by approximately 1.3 percentage points from approximately 11.9% in the first half of 2008. The increase was the result of a decline in deferred tax credit, when compared with the first half of 2008.

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

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2009 amounted to RMB269.3 million, representing a decrease of RMB41.1 million, or 13.2%, 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 2009 would be RMB271.5 million, representing a decrease of RMB24.2 million, or 8.2%, when compared with the same period last year.

Reconciliation of report profit and underlying profit attributable to owners of the Company

	Six months ended	
	2009	2008
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	269,319	310,368
Loss (gain) on fair value adjustment on the convertible bonds <i>(Note)</i>	1,033	(18,971)
Non-trade nature exchange loss	1,150	4,339
	<hr/> 271,502 <hr/>	<hr/> 295,736 <hr/>
Underlying profit for the period		
Underlying profit for the period attributable to:		
Owners of the Company	202,978	224,031
Minority shareholders	68,524	71,705
	<hr/> 271,502 <hr/>	<hr/> 295,736 <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

During the period, there was no change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flows generated from operating and financing 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 increased by RMB279.3 million from RMB446.0 million as at 31 December 2008 to RMB725.3 million as at 30 June 2009. The increase was due to the cash generated from operating activities of RMB400.2 million and financing activities of RMB187.8 million exceeds the net cash outflow of RMB308.7 million from investing activities.

The bank borrowings were in Renminbi and increased by RMB367.3 million or 32.9% to RMB1,485.0 million as at 30 June 2009 from RMB1,117.7 million as at 31 December 2008. The bank borrowings carry interest at market rates from 4.37% to 5.31% (first half of 2008: 5.91% to 9.20%) and are repayable within one year from the balance sheet date.

The Group's current assets increased by 10.9% to RMB2,839.2 million as at 30 June 2009 from RMB2,560.3 million as at 31 December 2008 and its current liabilities increased by 20.1% from RMB1,681.1 million as at 31 December 2008 to RMB2,019.3 million as at 30 June 2009. The Group's current ratio (being defined as current assets over current liabilities) was reduced from 1.52 times as at 31 December 2008 to 1.41 times as at 30 June 2009. The decrease was mainly caused by the increase in bank borrowings repayable within one year. The gearing ratio which is measured by total debts (bank borrowings and Convertible Bonds) to total assets increased from 21.3% as at 31 December 2008 to 24.5% as at 30 June 2009 due to an overall increase in debts despite the convertible bonds were decreased upon redemption.

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) ("GSSIA Bond").

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.

CONVERTIBLE BONDS - *continued*

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, 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 approximately USD19.7 million (approximately RMB134.9 million) respectively.

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 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.

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. The Company also paid Tetrad an amount of USD34,169 (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 said redemption becoming effective, Tetrad held 83,628,471 Shares and the principal amount of USD204,804 of the First Tranche Bonds so redeemed was forthwith cancelled whereas the outstanding principal amount of the Second Tranche Bonds held by Tetrad remained unchanged at approximately USD19.7 million (approximately RMB134.9 million).

In December 2008, the Company received a notice given by Tetrad to require the Company to redeem on 24 December 2008 ("Second Tranche Maturity Date") an aggregate principal amount of USD19,666,667 of the Second Tranche Bonds, being all the outstanding principal amount of the Second Tranche Bonds held by Tetrad, at the redemption amount of USD22,178,781. The Company also paid Tetrad an amount of USD194,511, being all the outstanding and unpaid interests accrued on the Second Tranche Bonds held by Tetrad up to and including the Second Tranche Maturity Date. Upon the said redemption becoming effective, Tetrad held 83,628,471 Shares and the Second Tranche Bonds so redeemed were forthwith cancelled whereupon Tetrad ceased to hold any convertible bond issued by the Company.

In May 2009, the Company received a notice given by GSSIA to require the Company to redeem on 6 May 2009 an aggregate principal amount of USD5,257,058 of the GSSIA Bond, being all the outstanding principal amount of the GSSIA Bond, at the redemption amount of USD6,179,704. The Company also paid GSSIA an amount of USD52,570 (approximately RMB359,000) (first half of 2008: USD137,691 or approximately RMB969,000), being all the outstanding and unpaid interests accrued on the GSSIA Bond up to and including 6 May 2009. Upon the said redemption becoming effective, the GSSIA Bond so redeemed was forthwith cancelled and GSSIA ceased to hold any convertible bond issued by the Company.

All convertible bonds issued by the Company were redeemed or converted into Shares before 30 June 2009. As at 30 June 2009, Tetrad and Henda held 83,628,471 Shares and 37,876,222 Shares respectively, representing 6.03% and 2.73% of the issued share capital of the Company respectively as at 30 June 2009.

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, possible appreciation of the Renminbi had little impact on the operation of the Group.

As apart from certain bank balances in HK and US dollars, almost all of the assets and liabilities of the Group were denominated in Renminbi, 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 enter any financial derivative instruments to hedge against the foreign exchange currency exposures 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 2009, the Group had made capital commitment of approximately RMB92.8 million (31 December 2008: RMB53.8 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 2009.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2009.

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2009, the Group had no new significant external investments.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the six months ended 30 June 2009.

HUMAN RESOURCES

As at 30 June 2009, the Group had approximately 5,700 (31 December 2008: approximately 4,500) 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 2009 was approximately RMB94.3 million (first half of 2008: approximately RMB147.2 million). The salaries are generally reviewed with reference to the employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. Besides, 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 salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff 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 2009, the amount of Union Fee contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB1.5 million (first half of 2008: RMB2.9 million).

According to the Social Insurance Regulations published by the State Council of the PRC on 14 January 1999, the Group is required to make contributions to pension funds and insurance policies for its employees. Full-time employees of the Group in 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. Apart from the pension funds, the Group has provided medical, personal accidental and unemployment insurance policies for its employees of different levels.

PROSPECTS

The RMB4 trillion economic stimulus program launched by the Central Government in early 2009 which focuses on infrastructure sectors gave impetus to the China economy. Xingda was one of the beneficiaries and the Group expects to continue to benefit from the improvement in domestic GDP during the second half of 2009.

Market demand has been showing signs of further recovery since July and contributed to the increase in orders on the Group's products. The Group therefore believes that its business performance will be improved, and expects the sales and profit will increase in the next half year. In addition, as the Group has entirely consumed the steel rods of relatively higher cost which eased the pressure of cost, the Group is positive towards the growth of gross profit in the second half of 2009. With expansion of factory No. 8 carried out, the increased production capacity will be sufficient to satisfy the increased market demand. The Group will keep track of the market demand and carry out expansion plan as appropriate.

Foreseeing an upward trend in domestic market demand, the Group will continue to focus on the PRC market so as to capture the market opportunities. It will also continue to pursue its overseas market expansion plan, aiming to strengthen its overseas market position. The Group will continue to strictly adopt cost saving measures and flexible pricing strategy in order to stabilize and enhance the Group's revenue and profit. Looking forward, the Group will strive to expand its business and riding on its solid expansion strategy to gradually enlarge market share and income base. 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 2009.

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

As at 30 June 2009, 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 2009
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)	722,336,693	52.11%
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)	722,336,693	52.11%
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)	722,336,693	52.11%
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)	722,336,693	52.11%
Lu Guangming George	Interests of controlled corporations (note 6)	215,549,000	15.55%

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*

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 ("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 2009, 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.
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 2009, 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.
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 2009, 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 2009, Power Aim Limited held 43,534,000 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. As at 30 June 2009, 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).
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 2009, 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 2009. 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.

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

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

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 30 June 2009
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 30 June 2009, 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 2009 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 2009, 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 2009
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)	722,336,693	52.11%
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)	83,628,471	6.03%
GIC Special Investments Pte. Ltd.	Interest of a controlled corporation (notes 3 & 4)	83,628,471	6.03%
Government of Singapore Investment Corp. Pte. Ltd.	Interest of a controlled corporation (notes 3 & 4)	83,628,471	6.03%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interest of a controlled corporation (notes 3 & 4)	83,628,471	6.03%
Minister for Finance (Incorporated)	Interest of a controlled corporation (notes 3 & 4)	83,628,471	6.03%

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 2009, 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 2009, 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).
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 2009, 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).
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 for 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 for 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 2009 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 2009 from Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder) in respect of their respective compliance with the terms of the Non-competition Deed.

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, 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 that the Board acts in the best interest of the Company. The Company does not have the position of chief executive officer and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining 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, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2009.

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 2009.

USE OF PROCEEDS

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

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

USE OF PROCEEDS - continued

Up to 30 June 2009, the Group has utilised approximately HKD679 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 2009	Balance of net proceeds as at 30 June 2009
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Expansion of the production capacity of the production facilities	550,000	550,000	—
Installation of a manufacturing execution system (MES) and logistics management system	70,000	3,101	66,899
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	—	250,000
Set-up of international development departments	180,000	89,358	90,642
Working capital	37,000	37,000	—
Total	<u>1,087,000</u>	<u>679,459</u>	<u>407,541</u>

The remaining amount of approximately HKD408 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus.

REVIEW OF INTERIM FINANCIAL STATEMENT

The Audit Committee of the Company 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 2009.

By Order of the Board

XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan

Chairman

Shanghai, the PRC, 4 September 2009

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 36 which comprises the condensed consolidated statement of financial position of Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard (“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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

4 September 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	NOTES	Six months ended 30 June	
		2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Revenue	4	1,526,756	1,775,187
Cost of sales		(1,141,619)	(1,299,664)
Gross profit		385,137	475,523
Other income		46,292	38,563
Government grants		24,867	41,474
Selling and distribution expenses		(54,097)	(66,555)
Administrative expenses		(59,079)	(111,298)
Finance costs		(31,688)	(44,332)
(Loss) gain on fair value adjustment on the convertible bonds		(1,033)	18,971
Profit before tax		310,399	352,346
Income tax expense	5	(41,080)	(41,978)
Profit for the period	6	269,319	310,368
Other comprehensive income			
Fair value gain on available-for-sale investments		113,685	—
Total comprehensive income for the period		383,004	310,368
Profit for the period attributable to:			
Owners of the Company		200,795	238,663
Minority interests		68,524	71,705
		269,319	310,368
Total comprehensive income attributable to:			
Owners of the Company		314,480	238,663
Minority interests		68,524	71,705
		383,004	310,368
Earnings per share	8		
Basic (RMB fen)		14.49	17.22
Diluted (RMB fen)		14.40	13.76

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

	NOTES	As at 30 June 2009 (unaudited) RMB'000	As at 31 December 2008 (audited) RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,727,124	2,575,489
Prepaid lease payments		177,595	179,524
Available-for-sale investments		211,770	98,585
Deposits paid for purchase of property, plant and equipment		18,782	11,870
Deposit paid for purchase of land use right		60,845	—
Deferred tax assets	14	18,897	12,605
		3,215,013	2,878,073
CURRENT ASSETS			
Prepaid lease payments		3,858	3,858
Inventories		320,759	510,985
Trade and other receivables	10	1,789,307	1,565,652
Pledged bank deposits		—	33,880
Bank balances and cash		725,299	445,971
		2,839,223	2,560,346
CURRENT LIABILITIES			
Trade and other payables	11	499,771	472,616
Amounts due to directors		48	48
Amount due to a related company		2,170	827
Amount due to a minority shareholder		1,840	1,716
Government grants		—	900
Tax payable		30,459	45,738
Bank borrowings	12	1,485,000	1,117,739
Convertible bonds	13	—	41,561
		2,019,288	1,681,145
NET CURRENT ASSETS		819,935	879,201
NET ASSETS		4,034,948	3,757,274
CAPITAL AND RESERVES			
Share capital	15	139,091	139,091
Reserves		2,963,858	2,746,508
Equity attributable to owners of the Company		3,102,949	2,885,599
Minority interests		931,999	871,675
TOTAL EQUITY		4,034,948	3,757,274

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital	Share premium	Special reserve	Investments revaluation reserve	Capital contribution reserve	Statutory common reserve	Capital redemption reserve	Retained earnings	Attributable of the Company	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note a)		(note b)	(note c)					
At 1 January 2008 (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 and total comprehensive income for the period	—	—	—	—	—	—	—	238,663	238,663	71,705	310,368
Dividends recognised as distribution	—	—	—	—	—	—	—	(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
At 1 January 2009 (audited)	139,091	1,215,899	283,352	—	(130,150)	230,003	2,062	1,145,342	2,885,599	871,675	3,757,274
Profit for the period	—	—	—	—	—	—	—	200,795	200,795	68,524	269,319
Fair value gain on available-for-sale investments	—	—	—	113,685	—	—	—	—	113,685	—	113,685
Total comprehensive income for the period	—	—	—	113,685	—	—	—	200,795	314,480	68,524	383,004
Dividends recognised as distribution	—	—	—	—	—	—	—	(97,130)	(97,130)	(8,200)	(105,330)
At 30 June 2009 (unaudited)	139,091	1,215,899	283,352	113,685	(130,150)	230,003	2,062	1,249,007	3,102,949	931,999	4,034,948

Note:

- (a) Special reserve represents the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares. It also represents the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("Jiangsu Xingda") at date of acquisition.
- (b) Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders. Upon the deregistration of a subsidiary during the year ended 31 December 2008, negative goodwill of approximately RMB3,448,000 relating to the acquisition of this subsidiary has been released to retained earnings.
- (c) According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord") and Shanghai Xingda Steel Tyre Cords Co., Ltd. ("Shanghai Xingda"), they are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009 <i>(unaudited)</i> RMB'000	2008 <i>(unaudited)</i> RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Profit before taxation	310,399	352,346
Depreciation and amortisation	119,055	108,122
Decrease (increase) in inventories	190,226	(84,990)
Increase in trade and other receivables	(225,316)	(417,736)
Increase in trade and other payables	40,010	101,729
Income tax paid	(62,651)	(40,042)
Other operating cash flows	28,506	(9,834)
	<u>400,229</u>	<u>9,595</u>
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of and deposit paid for purchase of property, plant and equipment	(289,552)	(314,521)
Decrease in pledged bank deposits	33,880	23,991
Proceeds from disposal of property, plant and equipment	673	7,437
Interest received	4,711	10,219
Sales proceed on investment in security	2,442	—
Purchase of land use right	(60,845)	—
	<u>(308,691)</u>	<u>(272,874)</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES		
Bank borrowings raised	1,724,142	1,437,712
Repayment of bank borrowings	(1,356,881)	(1,213,917)
Dividend paid	(105,330)	(74,008)
Payment for redemption of convertible bonds	(42,218)	(1,604)
Finance cost	(31,688)	(44,332)
Other financing cash flows	(235)	2,036
	<u>187,790</u>	<u>105,887</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	279,328	(157,392)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	445,971	947,356
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	<u>725,299</u>	<u>789,964</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 report is presented in Renminbi, the currency of the primary economic environment in which the principal subsidiaries of the Company operate, which is also the functional currency of the Company and its subsidiaries.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules) 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 financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except described as below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2009.

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, IAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, no analyses by business segment and geographical areas of operations are provided under IAS 14. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 (see note 4).

3. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

IAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. IAS 23 (Revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in IAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the revised accounting policy has been applied prospectively since 1 January 2009, the change has had no impact on amounts reported in prior accounting periods.

In the current period, no borrowing costs were capitalised as part of the cost of a manufacturing plant.

The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of IFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. IAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, no analyses by business segment and geographical areas of operations are provided under IAS 14 as 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.

The directors of the Company regularly review revenue analysis by types of products which are basically radial tire cords and bead wires, for the purposes of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective types of products. The directors of the Company review the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single operating and reportable segment under IFRS 8 and accordingly no separate segment information is prepared.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009 <i>(unaudited)</i> RMB'000	2008 <i>(unaudited)</i> RMB'000
The charge comprises:		
Current tax		
Current period	47,372	51,063
Deferred taxation (note 14)	(6,292)	(9,085)
	41,080	41,978

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 exempted from FEIT for the year ended 31 December 2005 and 2006 and enjoyed a 50% tax relief for the year ended 31 December 2007 and 2008 and for the year ending 31 December 2009.

At 30 June 2009, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB547.9 million. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2009	2008
	(<i>unaudited</i>)	(<i>unaudited</i>)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	117,126	106,879
Amortisation of prepaid lease payments	1,929	1,243
Gain on sale of available-for-sale investments	(1,942)	—
Allowance for doubtful debts	1,661	14,214
Research and development expenditure	3,099	9,389
Exchange loss, net	485	12,036
Loss (gain) on disposal of property, plant and equipment	351	(314)
	<u> </u>	<u> </u>

7. DIVIDENDS RECOGNISED AS DISTRIBUTION

	Six months ended 30 June	
	2009	2008
	(<i>unaudited</i>)	(<i>unaudited</i>)
	RMB'000	RMB'000
Final dividend paid for 2008 - HK8 cents per share (2008: final dividend paid for 2007 - HK6 cents per share)	97,130	74,043
	<u> </u>	<u> </u>

A subsidiary declared dividend to its shareholders during the period as follows:

	Six months ended 30 June	
	2009	2008
	(<i>unaudited</i>)	(<i>unaudited</i>)
	RMB'000	RMB'000
Minority interests	8,200	—
	<u> </u>	<u> </u>

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009	2008
	(unaudited)	<i>(unaudited)</i>
	RMB'000	<i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	200,795	238,663
Effect of dilutive potential ordinary shares:		
Fair value adjustment on convertible bonds	1,033	(18,971)
Exchange realignment on convertible bonds	(17)	(14,415)
Earnings for the purpose of diluted earnings per share	201,811	205,277
	'000	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,386,177	1,386,177
Effect of dilutive potential ordinary shares on convertible bonds	15,279	105,487
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,401,456	1,491,664

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of approximately RMB1,024,000 (for the six months ended 30 June 2008: RMB7,123,000) for cash proceeds of approximately RMB673,000 (for the six months ended 30 June 2008: RMB7,437,000), resulting in a loss on disposal of RMB351,000 (gain on disposal for the six months ended 30 June 2008: RMB314,000).

In addition, the Group spent approximately RMB269,785,000 (for the six months ended 30 June 2008: RMB178,842,000) 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 analysis of trade and note receivables by age, presented based on the invoice date and maturity date respectively:

	As at 30 June 2009 (unaudited) RMB'000	As at 31 December 2008 (audited) RMB'000
Trade receivables		
0 - 90 days	753,073	415,486
91 - 180 days	113,520	217,723
181 - 360 days	112,490	183,528
Over 360 days	124,286	21,768
	1,103,369	838,505
Note receivables		
0 - 90 days	229,481	298,682
91 - 180 days	314,707	247,009
181 - 360 days	4,000	—
	548,188	545,691
Advance to suppliers	97,975	125,555
Other receivables and prepayments	39,895	56,021
Less: Allowance for doubtful debts	(120)	(120)
	137,750	181,456
	1,789,307	1,565,652

11. TRADE AND OTHER PAYABLES

The following is an analysis of trade and note payables by age, presented based on the invoice date and maturity date respectively:

	As at 30 June 2009 (unaudited) RMB'000	As at 31 December 2008 (audited) RMB'000
Trade payables		
0 - 90 days	139,921	169,379
91 - 180 days	20,121	51,311
181 - 360 days	11,092	6,971
Over 360 days	6,580	1,333
	177,714	228,994
Note payables		
0 - 90 days	115,000	—
Value-added tax payable and other tax payables	16,799	9,555
Accrued staff costs	44,211	90,324
Payables for purchase of property, plant and equipment	86,142	98,997
Accrued electricity charges	31,041	17,581
Others	28,864	27,165
	207,057	243,622
	499,771	472,616

12. BANK BORROWINGS

During the period, the Group obtained new short-term bank borrowings amounting to RMB1,724,142,000 (for the six months ended 30 June 2008: RMB1,437,712,000). The loans carry interest at variable market rates from 4.371% to 5.310% (for the six months ended 30 June 2008: 5.913% to 9.200%) per annum and are repayable within one year. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB1,356,881,000 (for the six months ended 30 June 2008: RMB1,213,917,000) during the period.

13. CONVERTIBLE BONDS

The movements of the convertible bonds are as follows:

	As at 30 June 2009 (unaudited) RMB'000	As at 31 December 2008 (audited) RMB'000
At 1 January	41,561	237,083
Exchange realignment	(17)	(15,145)
Loss (gain) arising on change of fair value	1,033	(24,903)
Interest payment	(359)	(2,286)
Redemption of the bonds	(42,218)	(153,188)
At 30 June/31 December	<u><u>—</u></u>	<u><u>41,561</u></u>

On 4 May 2009, the Company received a notice given by the Transferred First Tranche bondholder to require the Company to redeem on the maturity date an aggregate principal amount of US\$5,257,058 of the Transferred First Tranche Bond, being all the outstanding principal amount of the Transferred First Tranche Bond, at the redemption amount of US\$6,179,704. The Company shall also pay the Transferred First Tranche bondholder an amount of US\$52,570, being all the outstanding and unpaid interests accrued on the Transferred First Tranche Bond up to and including the maturity date.

Immediately after the said redemption became effective, the Transferred First Tranche Bond so redeemed was forthwith cancelled and the Transferred First Tranche bondholder ceased to hold any convertible bond issued by the Company. There is no outstanding convertible bonds as at period end.

14. DEFERRED TAX ASSETS

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

	Accelerated tax depreciation	Allowance for doubtful debts	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2008 (audited)	—	—	—
Credit to profit or loss for the period	7,308	1,777	9,085
At 30 June 2008 (unaudited)	7,308	1,777	9,085
Credit to profit or loss for the period	1,268	2,252	3,520
At 31 December 2008 (audited)	8,576	4,029	12,605
Credit to profit or loss for the period	1,847	4,445	6,292
At 30 June 2009 (unaudited)	10,423	8,474	18,897

15. SHARE CAPITAL

	Number of shares	Share capital
		<i>RMB'000</i>
Ordinary shares of US\$1 each		
Authorised:		
At 1 January 2009 and 30 June 2009	3,000,000,000	301,410
Issued and fully paid		
At 1 January 2009 and 30 June 2009	1,386,176,693	139,091

16. CAPITAL COMMITMENTS

	As at 30 June 2009 <i>(unaudited)</i> RMB'000	As at 31 December 2008 <i>(audited)</i> RMB'000
Capital expenditure in respect of purchase of property, plant and equipment contracted for but not provided in the interim financial information	<u>92,812</u>	<u>53,753</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	
			2009 <i>(unaudited)</i> RMB'000	2008 <i>(unaudited)</i> RMB'000
Xingda Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services	(a)	<u>1,989</u>	<u>1,966</u>
Labour Union of Jiangsu Xingda Tyre Cord Co., Ltd. ("Xingda Labour Union")	Union fees	(b)	<u>1,509</u>	<u>2,872</u>

Notes:

- (a) Xingda Xiu Yuan is a limited liability company whose equity interest is held as to 15% by Xingda Labour Union.
- (b) Xinda Labour Union is one of the shareholders of a subsidiary of the Group, Jiangsu Xingda and thus is a minority shareholder of the Group. The union fees were calculated at 2% on the annual staff salaries and wages of Jiangsu Xingda.

17. RELATED PARTY TRANSACTIONS - CONTINUED

Compensation of key management personnel

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

	Six months ended 30 June	
	2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Salaries and other benefits	14,355	30,287
Retirement benefit scheme contributions	6	5
	<u>14,361</u>	<u>30,292</u>

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