



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)



2010

Interim Report

Xingda International Holdings Limited

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Xingda International Holdings Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

AUDITOR

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
Standard Chartered Bank (Hong Kong) Limited

Xingda International Holdings Limited

CORPORATE INFORMATION - CONTINUED

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

Xingda International Holdings Limited

FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | | Change |
|--|--------------------------|-----------------------|---------|
| | 2010 | 2009 | |
| | <i>RMB in million</i> | <i>RMB in million</i> | |
| OPERATING RESULTS | | | |
| Revenue | 2,538.4 | 1,526.8 | +66.3% |
| Gross profit | 815.3 | 385.1 | +111.7% |
| EBITDA ⁽¹⁾ | 954.3 | 462.2 | +106.5% |
| Profit for the period | 635.4 | 269.3 | +135.9% |
| Profit attributable to owners of the Company | 476.6 | 200.8 | +137.4% |
| Earnings per share – basic (RMB fen) | 34.38 | 14.49 | +137.3% |
| – diluted (RMB fen) | 34.38 | 14.40 | +138.8% |
| | 30.6.2010 | 31.12.2009 | Change |
| | <i>RMB in million</i> | <i>RMB in million</i> | |
| FINANCIAL POSITION | | | |
| Total assets | 7,324.7 | 7,369.8 | -0.1% |
| Total liabilities | 2,459.3 | 2,815.4 | -12.6% |
| Net assets | 4,865.4 | 4,554.3 | +6.8% |
| Equity attributable to owners of the Company | 3,673.7 | 3,459.0 | +6.2% |

Xingda International Holdings Limited

FINANCIAL HIGHLIGHTS - CONTINUED

| | Six months ended 30 June | |
|--|--------------------------|------------|
| | 2010 | 2009 |
| KEY RATIOS | | |
| Gross profit margin ⁽²⁾ | 32.1% | 25.2% |
| EBITDA margin ⁽³⁾ | 37.6% | 30.3% |
| Return on equity ⁽⁴⁾ | 13.0% | 6.5% |
| | 30.6.2010 | 31.12.2009 |
| Current ratio ⁽⁵⁾ | 1.75 | 1.48 |
| Gearing ratio ⁽⁶⁾ | 22.3% | 24.9% |
| Net debts to equity ratio ⁽⁷⁾ | 33.9% | 34.4% |

Notes:

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

Xingda International Holdings Limited

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 2010.

The PRC Government's continued economic stimulus policy has helped spur the recovery of the Chinese economy. Taking advantage of the revival of the road transportation and automobile sectors starting in the second half of 2009 and the significantly improved business environment, Xingda continued to deliver encouraging results during the period under review. The Group's revenue increased by 66.3% to RMB2,538.4 million (first half of 2009: RMB1,526.8 million) while the gross profit and margin increased to RMB815.3 million (first half of 2009: RMB385.1 million) and 32.1% (first half of 2009: 25.2%) respectively. In January, the Group disposed of 19,500,000 A shares of Aeolus Tyre Co., Ltd and realized a gain of approximately RMB186.3 million, which contributed to the increase in profit attributable to owners of the Company by 137.4% to RMB476.6 million (first half of 2009: RMB200.8 million). The Board does not recommend payment of an interim dividend for the six months ended 30 June 2010.

During the period, the economic stimulus measures continued to impact favorably on the PRC economy. The ongoing infrastructure projects in the country have seen the revival of domestic freight volume in turn boosting the demand for truck tire replacement. Meanwhile, the automobile subsidy program in the country as well as the recovering overseas markets gave added impetus to the automobile sector, providing added support to the continuous development of the radial tire industry.

According to the China Association of Automobile Manufacturers, sales of truck and passenger cars increased by 89% and 107% to approximately 2.08 million units and 6.72 million units respectively, stimulating the demand for truck and passenger car tires during the period under review. The continuous demand growth gave a strong boost to the radial tire manufacturing industry in the PRC. According to the market statistics, radial tire output in the PRC rose by 13% year-on-year to approximately 178 million units in the first half of 2010. As the largest radial tire cord manufacturer in the PRC, Xingda stands to benefit from this vibrant market environment.

BUSINESS REVIEW

During the first half of 2010, the Group's total sales volume increased by 71.5% year-on-year to 205,000 tonnes. The sales volume of the Group's core product, radial tire cord, rose to 173,400 tonnes, 70.5% more than the same period of 2009 while the sales volume of bead wires increased by 77.5% to 31,600 tonnes. The two products accounted for 84.6% and 15.4% of the Group's total sales volume respectively (first half of 2009: 85.1% and 14.9%).

As a result of the strong growth in tire replacement demand and hence the demand for radial tire cord, radial tire cord for trucks continued to be the Group's major source of revenue. Sales volume increased by 59.6% to 134,700 tonnes. Meanwhile, radial tire cord for passenger cars increased by 123.7% to 38,700 tonnes, mainly because of the country's automobile subsidy program and growth of the PRC into the top automobile producing country in the world together with increased export orders. Due to the fast growing number of passenger cars in the PRC, Xingda has also benefited from the expanding replacement market for passenger cars tires which fueled the demand on radial tire cords of passenger cars tires. Radial tire cords for trucks and passenger cars accounted for 77.7% and 22.3% of the Group's total sales volume of radial tire cords respectively (first half of 2009: 83.0% and 17.0% respectively).

Xingda International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

BUSINESS REVIEW - CONTINUED

The Group's domestic business continued to dominate and accounted for 91% of total sales. At the same time, the competitive price and high quality of Xingda's products enabled the Group to achieve overseas market acceptance. Orders from overseas markets have been increasing accounting for 9% of the Group's total sales, a satisfactory growth from 5% in the same period in 2009.

Despite the rebound in the cost of the domestic steel wire rods during the period, the Group managed to adjust the average selling price of its products to ease pressure from the rising cost. During the period, steel wire rods accounted for 55.8% of total cost of sales (first half of 2009: 52.4%).

The Group started the construction of the No. 9 factory during 2009 and is expected to be completed by 2012. The first phase of the No. 9 factory has been completed and has commenced operation in the first half of 2010. As a result, the production capacity for radial tire cords rose 27.0% to 400,000 tonnes while that of bead wires was up 10.6% to 73,000 tonnes. With the increasing demand for the Group's products and thus its production volume during the period, the overall utilisation rate increased largely from 61.4% in the first half of 2009 to 86.2% in the first half of 2010.

The Group has traditionally placed a strong emphasis on research and development and it has developed 11 new types of radial tire cords, 2 types of bead wires and 3 types of sawing wires during the period. As at 30 June 2010, the Group offers a portfolio of 140 types of radial tire cords, 47 types of bead wires and 3 types of sawing wires (first half of 2009: 120 types of radial tire cords and 46 types of bead wires).

FINANCIAL REVIEW

Revenue

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

| RMB in million | Six months ended 30 June | | | | |
|---------------------|--------------------------|----------------|-------|----------------|------------|
| | 2010 | Proportion (%) | 2009 | Proportion (%) | Change (%) |
| Radial Tire Cords | 2,355 | 93 | 1,420 | 93 | +65.8 |
| – For Truck | 1,903 | 75 | 1,212 | 79 | +57.0 |
| – For Passenger Car | 452 | 18 | 208 | 14 | +117.3 |
| Bead Wires | 183 | 7 | 107 | 7 | +71.0 |
| Total | 2,538 | 100 | 1,527 | 100 | +66.3 |

As a result of the strong sales of its products, the total revenue was up 66.3% or RMB1,011.6 million to RMB2,538.4 million from RMB1,526.8 million in the first half of 2009. Sales of radial tire cords for trucks continued to be the main source of revenue of the Group. Revenue of radial tire cords for passenger car recorded a significant growth of 117.3% driven by the increase in its export orders.

Xingda International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL REVIEW - CONTINUED

Gross profit and gross profit margin

With its strong pricing power, the Group succeeded in increasing the average selling product price of its products thereby coping with the increase in the cost of steel wire rods, the major raw material of the Group's products. Moreover, the substantial improvement in the utilisation rate in the review period allowed the Group to benefit from economies of scale. The gross profit margin of the Group therefore increased by 6.9 percentage points to 32.1%. The increase in its sales volume and margin boosted the Group's gross profit by 111.7% or RMB430.2 million to RMB815.3 million in the first half of 2010.

Other income and government grants

Other income of the Group decreased by RMB1.7 million, or 3.8%, from RMB44.4 million for the first half of 2009 to RMB42.7 million for the period under review. The decrease was mainly due to the decrease in discounts received from suppliers fully offset an increase in sale of scraps. Due to the decreased subsidy from the local government, the Government grants for the period dropped by 69.9% from RMB24.9 million for the first half of 2009 to RMB7.5 million for the first half of 2010.

Gain on disposal of available-for-sale investments

Gain on disposal of available-for-sale investments of the Group increased by RMB184.4 million, or 9,705.3%, from RMB1.9 million for the first half of 2009 to RMB186.3 million for the period under review. It was due to the gain realized on selling the shares of Aeolus Tyre Co., Ltd in January 2010.

Operating expenses

Selling and distribution expenses of the Group increased from RMB54.1 million for the first half of 2009 to RMB101.8 million for the first half of 2010, representing an increase of 88.2%. It was mainly caused by the corresponding increase in rewards payable to the sales team and transportation costs as it is linked with the sales revenue. Administrative expenses for the six months ended 30 June 2010 increased by RMB59.3 million when compared to the same period of 2009, which was mainly due to the increase in administrative staff costs. Other expenses increased by RMB32.9 million or 587.5% from RMB5.6 million for the first half of 2009 to RMB38.5 million for the first half of 2010. The increment was mainly attributable to an increase in allowance for trade receivables and an increase in loss on disposal of property, plant and equipment.

Finance costs

Finance costs decreased by RMB5 million or 15.8% to RMB26.7 million from RMB31.7 million in the same period of 2009. The decrease was primarily due to capitalisation of interest expenses on loans repayable within 5 years of RMB12.2 million.

Xingda International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL REVIEW - CONTINUED

Income tax

The Group had an income tax charge of RMB136.8 million with an effective tax rate of approximately 17.7% during the period. The effective tax rate for the period increased by approximately 4.5 percentage points from approximately 13.2% in the first half of 2009. By excluding the deferred tax movements in the first half of 2010 and the corresponding period of last year, the effective tax rate increased by approximately 2.2 percentage points and it was primarily due to an increase in income tax rate of a major subsidiary of the Group, Jiangsu Xingda Steel Tyre Cord Co., Ltd upon an expiration of the tax holiday on 1 January 2010.

Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2010 amounted to RMB635.4 million, representing an increase of RMB366.1 million, or 135.9%, when compared with the corresponding period of last year. If the loss on fair value adjustment on the convertible bonds was excluded, the adjusted net profit of the Group for the six months ended 30 June 2010 would be RMB635.4 million, representing an increase of RMB365.0 million, or 135.0%, when compared with the same period last year.

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

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2010 (unaudited) RMB'000 | 2009 (unaudited) RMB'000 |
| Profit for the period | 635,375 | 269,319 |
| Loss on fair value adjustment on the convertible bonds (Note) | — | 1,033 |
| Underlying profit for the period | <u>635,375</u> | <u>270,352</u> |
| Underlying profit for the period attributable to: | | |
| Owners of the Company | 476,581 | 201,828 |
| Non-controlling interests | 158,794 | 68,524 |
| | <u>635,375</u> | <u>270,352</u> |

Note: 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 recognised international business valuer. The loss on fair value adjustment of the convertible bonds was adjusted in the profit for the previous period as it did not arise from the ordinary course of operation of the Group.

Xingda International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

Bank balances and cash including bank deposits of the Group decreased by RMB259.7 million from RMB646.5 million as at 31 December 2009 to RMB386.8 million as at 30 June 2010. The decrease was due to the net cash outflows of RMB174.0 million from investing activities, and financing activities of RMB389.3 million exceeds the cash generated from operating activities of RMB303.6 million.

The bank borrowings were in Renminbi and decreased by RMB204 million or 11.1% to RMB1,631.0 million as at 30 June 2010 from RMB1,835.0 million as at 31 December 2009. The bank borrowings carry interest at market rates from 4.37% to 4.86% (first half of 2009: 4.37% to 5.31%) and are repayable within five years from 30 June 2010.

The Group's current assets increased by 0.4% to RMB3,411.6 million as at 30 June 2010 from RMB3,398.2 million as at 31 December 2009 and its current liabilities decreased by 15.1% from RMB2,289.4 million as at 31 December 2009 to RMB1,944.6 million as at 30 June 2010. The Group's current ratio (being defined as current assets over current liabilities) was increased from 1.48 times as at 31 December 2009 to 1.75 times as at 30 June 2010. The increase was mainly caused by the decrease in bank borrowings repayable within one year. The gearing ratio which is measured by total debts (bank borrowings) to total assets decreased from 24.9% as at 31 December 2009 to 22.3% as at 30 June 2010 due to a decrease in debts.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi and US dollars. The sales proceeds in US dollars had been fully used. As a result, the slight appreciation of the Renminbi in the first half of 2010 did not have a materially unfavorable effect on the operations 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.

Xingda International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL COMMITMENTS

As at 30 June 2010, the Group had made capital commitment of approximately RMB11.5 million (31 December 2009: RMB198.0 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 authorised but not contracted for as at 30 June 2010.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2010.

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2010, 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 2010.

HUMAN RESOURCES

As at 30 June 2010, the Group had approximately 8,600 (31 December 2009: approximately 7,200) 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 2010 was approximately RMB188.9 million (first half of 2009: approximately RMB94.3 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. The Group also continues to provide training programs 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 Steel Tyre Cord Co., Ltd. ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2010, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB3.1 million (first half of 2009: RMB1.5 million).

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

Xingda International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

HUMAN RESOURCES - CONTINUED

In 2009, the Board of Directors resolved to adopt a share award scheme to encourage and retain elite employees to work with the Group and to provide incentives for them to achieve performance goals with a view to attaining the objectives of increasing the value of the Group and aligning the interests of the participants of the scheme directly to the shareholders of the Company through ownership of shares. Pursuant to the scheme, shares will be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the participants until such shares are vested to them in accordance with the provisions of the scheme. For the six months ended 30 June 2010, 5 million of the Company's shares were purchased by the trustee in the market. The consideration and other directly attributable incremental costs of the shares purchased under the share award scheme in an aggregate amount of approximately RMB16.1 million were recognised as shares held for the scheme and deducted from the total equity of the Company at 30 June 2010.

PROSPECTS

As a major effort of the PRC Government to maintain a steady growth of its GDP, its economic stimulus measures continued to exert a positive influence on the PRC economy. The strong growth momentum in the demand for the Group's products was therefore maintained in the first half of 2010. It is believed that the thriving economy will continue which is conducive to the healthy development of the entire tire industry. As the leader in the radial tire cords industry, Xingda will benefit from the flourishing environment.

To maintain its leading position in the industry, the Group is committed to research and development as well as offering a variety of products of superb quality. The Group has successfully developed a new product called sawing wire which is an ultra tensile grade steel wire of very tiny diameter for cutting hard and brittle materials. It has been widely used in the solar cells industry for cutting polycrystalline silicon ingots to wafers. Since it is a horizontal expansion, more than half of the existing production facilities can be shared in the manufacturing process of this new product. Pilot production has been completed and mass production is expected to commence in the year 2011. Apart from the strong demand in radial tire cords, the new product is expected to be another growth driver to the Group in the future.

Furthermore, the Group will continue to closely monitor the market situation and formulate a rational flexible capital expenditure plan, in order to adjust the expansion of capacity according to the market demand. It will also strive to maintain a high utilisation rate so as to attain economies of scale and in turn boost the Group's margins.

While solidifying its status of a first tier radial tire cord manufacturer in the PRC, the Group will benefit directly from the organic growth of the major customers. The Group will also step up efforts in extending its presence overseas. With acceptance gained from an increasing number of overseas clients in recent years, the Group believes its share of revenue contribution from overseas markets will continue to grow along with overseas market penetration. Looking ahead, adhering to its strategic development plan, Xingda is confident in sustaining its leadership in the PRC and at the same time the Group will grasp the opportunities arising to expand its presence worldwide.

Xingda International Holdings Limited

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 2010.

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

As at 30 June 2010, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (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 Issuers ("Model Code"), were as follows:

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

| Name of Director | Capacity | Number of ordinary shares | Approximate percentage of issued share capital of the Company as at 30 June 2010 |
|---------------------|---|---------------------------|--|
| 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) | 705,541,693 | 50.90% |
| 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) | 705,541,693 | 50.90% |
| 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) | 705,541,693 | 50.90% |
| 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) | 705,541,693 | 50.90% |
| Lu Guangming George | Interests of controlled corporations (note 6) | 83,187,600 | 6.00% |

Xingda International Holdings Limited

OTHER INFORMATION - CONTINUED

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

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

Notes:

1. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade 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 2010, 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 2010, 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 2010, 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 2010, 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.
6. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC). As at 30 June 2010, Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC) held 74,907,600 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 2010. For the purpose of Part XV of the SFO, Mr. Lu Guangming George was deemed to be interested in the shares held by Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC) and Win Wide International Ltd. respectively.

Xingda International Holdings Limited

OTHER INFORMATION - CONTINUED

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

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

| Name of Director | Capacity | Associated corporation | Number of ordinary shares in associated corporation | Approximate percentage of registered capital of the associated corporation as at 30 June 2010 |
|------------------|------------------|--|---|---|
| Zhang Yuxiao | Beneficial Owner | Jiangsu Xingda Steel Tyre Cord Co., Ltd. | 100 | 0.000074% |

Save as disclosed above, as at 30 June 2010, 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 2010 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.

Xingda International Holdings Limited

OTHER INFORMATION - CONTINUED

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 2010, the interests of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

| Name of shareholder | Capacity | Number of ordinary shares | Approximate percentage of issued share capital of the Company as at 30 June 2010 |
|---|--|---------------------------|--|
| 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) | 705,541,693 | 50.90% |
| Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC) | Beneficial owner | 74,907,600 | 5.40% |
| Surfmax Corporation | Interest of a controlled corporation (note 2) | 74,907,600 | 5.40% |
| E-Star Corporation | Beneficial owner | 112,361,400 | 8.11% |
| COFCO (BVI) No. 88 Limited | Interest of a controlled corporation (note 3) | 112,361,400 | 8.11% |
| COFCO (BVI) Limited | Interest of a controlled corporation (note 3) | 112,361,400 | 8.11% |
| COFCO Limited | Interest of a controlled corporation (note 3) | 112,361,400 | 8.11% |

Xingda International Holdings Limited

OTHER INFORMATION - CONTINUED

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 2010, 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.
2. Surfmax Corporation was the member manager of Surfmax Investments, LLC (formerly known as 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 Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC).
3. As at 30 June 2010, the entire issued share capital of E-Star Corporation was wholly owned by COFCO (BVI) No. 88 Limited, which was in turn wholly owned by COFCO (BVI) Limited. COFCO (BVI) Limited was wholly owned by COFCO Limited. For the purpose of Part XV of the SFO, each of COFCO (BVI) No. 88 Limited, COFCO (BVI) Limited and COFCO Limited was deemed to be interested in the shares in the Company held by E-Star Corporation.

Save as aforesaid and as disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 30 June 2010 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.

Xingda International Holdings Limited

OTHER INFORMATION - CONTINUED

DEED OF NON-COMPETITION - CONTINUED

The Company has received the declaration for the six months ended 30 June 2010 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.

CHANGE IN THE BOARD

Mr. Wu Xinghua retired by rotation as an executive director of the Company at the annual general meeting held on 20 May 2010. The Board extends its gratitude to Mr. Wu Xinghua for his valuable efforts and contributions to the Company during his term of appointment and offset its best wishes to him.

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 2010, 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 executive Directors, the Executive Committee of the Company (comprising three executive Directors and one non-executive Director) 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.

Xingda International Holdings Limited

OTHER INFORMATION - CONTINUED

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2010.

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

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

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 2010.

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.

Xingda International Holdings Limited

OTHER INFORMATION - CONTINUED

USE OF PROCEEDS - CONTINUED

Up to 30 June 2010, the Group has utilised approximately HKD680 million of the net proceeds and the details are as follows:

| | Proposed uses of fund as stated in the Prospectus <i>HKD'000</i> | Actual uses of funds up to 30 June 2010 <i>HKD'000</i> | Balance of net proceeds as at 30 June 2010 <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 | 3,913 | 66,087 |
| 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>680,271</u> | <u>406,729</u> |

The remaining amount of approximately HKD407 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 auditor 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 2010.

By Order of the Board

XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan

Chairman

Shanghai, the PRC, 17 August 2010

Xingda International Holdings Limited

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 40, 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 2010 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 34 ("IAS") "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company 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

17 August 2010

Xingda International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

| | NOTES | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2010 (unaudited) RMB'000 | 2009 (unaudited) RMB'000 |
| Revenue | 4 | 2,538,370 | 1,526,756 |
| Cost of sales | | (1,723,068) | (1,141,619) |
| Gross profit | | 815,302 | 385,137 |
| Other income | | 42,691 | 44,351 |
| Gain on disposal of available-for-sale investments | | 186,340 | 1,941 |
| Government grants | | 7,535 | 24,867 |
| Selling and distribution expenses | | (101,782) | (54,097) |
| Administrative expenses | | (112,802) | (53,483) |
| Other expenses | 5 | (38,458) | (5,596) |
| Finance costs | | (26,675) | (31,688) |
| Loss on fair value adjustment on the convertible bonds | | — | (1,033) |
| Profit before taxation | | 772,151 | 310,399 |
| Income tax expense | 6 | (136,776) | (41,080) |
| Profit for the period | 7 | 635,375 | 269,319 |
| Other comprehensive (loss) income | | | |
| Fair value (loss) gain on available-for-sale investments | | (22,895) | 115,626 |
| Reclassification adjustment upon disposal of available-for-sale investments | | (186,340) | (1,941) |
| Deferred tax liability on recognition of fair value gain on available-for-sale investments released upon disposal | | 31,385 | — |
| Other comprehensive (loss) income for the period (net of tax) | | (177,850) | 113,685 |
| Total comprehensive income for the period | | 457,525 | 383,004 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 476,581 | 200,795 |
| Non-controlling interests | | 158,794 | 68,524 |
| | | 635,375 | 269,319 |

Xingda International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

| | NOTE | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2010 (unaudited) RMB'000 | 2009 (unaudited) RMB'000 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 352,904 | 314,480 |
| Non-controlling interests | | 104,621 | 68,524 |
| | | 457,525 | 383,004 |
| Earnings per share | 9 | | |
| Basic (RMB fen) | | 34.38 | 14.49 |
| Diluted (RMB fen) | | 34.38 | 14.40 |

Xingda International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

| | NOTES | As at 30 June 2010 (unaudited) RMB'000 | As at 31 December 2009 (audited) RMB'000 |
|---|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 3,513,355 | 3,187,656 |
| Prepaid lease payments | | 250,549 | 232,034 |
| Investment properties | 10 | 122,000 | 119,300 |
| Available-for-sale investments | | — | 307,320 |
| Deposits paid for purchase of property, plant and equipment | | 12,941 | 125,242 |
| Deferred tax assets | 14 | 14,263 | — |
| | | 3,913,108 | 3,971,552 |
| CURRENT ASSETS | | | |
| Prepaid lease payments | | 5,632 | 4,921 |
| Inventories | | 679,329 | 430,904 |
| Trade and other receivables | 11 | 2,339,817 | 2,315,835 |
| Bank balances and cash | | 386,821 | 646,544 |
| | | 3,411,599 | 3,398,204 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 748,979 | 877,550 |
| Amounts due to directors | | 48 | 48 |
| Amount due to a related company | | 389 | 1,284 |
| Tax payable | | 64,149 | 75,546 |
| Bank borrowings | 13 | 1,131,000 | 1,335,000 |
| | | 1,944,565 | 2,289,428 |
| NET CURRENT ASSETS | | 1,467,034 | 1,108,776 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 5,380,142 | 5,080,328 |

Xingda International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

AT 30 JUNE 2010

| | NOTES | As at 30 June 2010 (unaudited) RMB'000 | As at 31 December 2009 (audited) RMB'000 |
|--|-------|--|--|
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 14 | 675 | 15,515 |
| Borrowings due after one year | | 500,000 | 500,000 |
| Government grants | | 14,040 | 10,500 |
| | | <u>514,715</u> | <u>526,015</u> |
| NET ASSETS | | <u>4,865,427</u> | <u>4,554,313</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | 139,091 | 139,091 |
| Reserves | | 3,534,628 | 3,319,935 |
| | | <u>3,673,719</u> | <u>3,459,026</u> |
| Equity attributable to owners of the Company | | 3,673,719 | 3,459,026 |
| Non-controlling interests | | 1,191,708 | 1,095,287 |
| | | <u>4,865,427</u> | <u>4,554,313</u> |
| TOTAL EQUITY | | <u>4,865,427</u> | <u>4,554,313</u> |

Xingda International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

| | Share capital | Share premium | Special reserve | Investments revaluation reserve | Capital contribution reserve | Statutory common reserve | Capital redemption reserve | Shares held under share award scheme | Retained earnings | Attributable to owners of the Company | Non-controlling interests | Total |
|---|---------------|---------------|-----------------|---------------------------------|------------------------------|--------------------------|----------------------------|--------------------------------------|-------------------|---------------------------------------|---------------------------|-----------|
| | RMB'000 | 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 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 | — | — | — | 115,626 | — | — | — | — | — | 115,626 | — | 115,626 |
| Reclassification adjustment upon disposal of available-for-sale investments | — | — | — | (1,941) | — | — | — | — | — | (1,941) | — | (1,941) |
| Other comprehensive income for the period | — | — | — | 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 (note 8) | — | — | — | — | — | — | — | — | (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 |

Xingda International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

| | Share capital | Share premium | Special reserve | Investments revaluation reserve | Capital contribution reserve | Statutory common reserve | Capital redemption reserve | Shares held under share award scheme | Retained earnings | Attributable to owners of the Company | Non-controlling interests | Total |
|--|----------------|----------------|-----------------|---------------------------------|------------------------------|--------------------------|----------------------------|--------------------------------------|-------------------|---------------------------------------|---------------------------|------------------|
| | RMB'000 | 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 2010 (audited) | 139,091 | 1,118,145 | 283,352 | 123,677 | (130,150) | 302,443 | 2,062 | — | 1,620,406 | 3,459,026 | 1,095,287 | 4,554,313 |
| Profit for the period | — | — | — | — | — | — | — | — | 476,581 | 476,581 | 158,794 | 635,375 |
| Fair value loss on available-for-sale investments | — | — | — | (15,921) | — | — | — | — | — | (15,921) | (6,974) | (22,895) |
| Reclassification adjustment upon disposal of available-for-sale investments | — | — | — | (129,581) | — | — | — | — | — | (129,581) | (56,759) | (186,340) |
| Deferred tax liability on recognition of fair value gain on available-for-sale investment released upon disposal | — | — | — | 21,825 | — | — | — | — | — | 21,825 | 9,560 | 31,385 |
| Other comprehensive (loss) income for the period | — | — | — | (123,677) | — | — | — | — | — | (123,677) | (54,173) | (177,850) |
| Total comprehensive (loss) income for the period | — | — | — | (123,677) | — | — | — | — | 476,581 | 352,904 | 104,621 | 457,525 |
| Dividends recognised as distribution (note 8) | — | (122,122) | — | — | — | — | — | — | — | (122,122) | — | (122,122) |
| Purchase of restricted shares | — | — | — | — | — | — | — | (16,089) | — | (16,089) | — | (16,089) |
| Dividend paid to non-controlling interests | — | — | — | — | — | — | — | — | — | — | (8,200) | (8,200) |
| At 30 June 2010 (unaudited) | 139,091 | 996,023 | 283,352 | — | (130,150) | 302,443 | 2,062 | (16,089) | 2,096,987 | 3,673,719 | 1,191,708 | 4,865,427 |

Note:

- Special reserve represents the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares. It also represents the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("Jiangsu Xingda") at date of acquisition.
- Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.
- According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord") 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.

Xingda International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2010 <i>(unaudited)</i> RMB'000 | 2009 <i>(unaudited)</i> RMB'000 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 772,151 | 310,399 |
| Depreciation and amortisation | 155,479 | 119,055 |
| Gain on disposal of available-for-sale investments | (186,340) | (1,942) |
| (Increase) decrease in inventories | (248,425) | 190,226 |
| Increase in trade and other receivables | (39,384) | (225,316) |
| (Decrease) increase in trade and other payables | (54,221) | 40,010 |
| Income tax paid | (145,891) | (62,651) |
| Other operating cash flows | 50,229 | 30,448 |
| | 303,598 | 400,229 |
| NET CASH USED IN INVESTING ACTIVITIES | | |
| Additions to deposit paid for purchase of property, plant and equipment | (438,954) | (289,552) |
| Purchase of land use right | (22,132) | (60,845) |
| Sales proceed on disposal of available-for-sale investments | 284,425 | 2,442 |
| Interest received | 2,167 | 4,711 |
| Proceeds from disposal of property, plant and equipment | 476 | 673 |
| Decrease in pledged bank deposits | — | 33,880 |
| | (174,018) | (308,691) |
| NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES | | |
| Repayment of bank borrowings | (935,000) | (1,356,881) |
| Dividend paid | (130,322) | (105,330) |
| Finance costs | (38,892) | (31,688) |
| Purchase of shares under share award scheme | (16,089) | — |
| Bank borrowings raised | 731,000 | 1,724,142 |
| Payment for redemption of convertible bonds | — | (42,218) |
| Other financing cash flows | — | (235) |
| | (389,303) | 187,790 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (259,723) | 279,328 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 646,544 | 445,971 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash | 386,821 | 725,299 |

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. GENERAL

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

The condensed consolidated financial statements are presented in Renminbi, 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 (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 properties and 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 2009 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.

IFRS 3 (Revised) Business Combination and IAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies IFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

3. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leasehold asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17 Leases, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information which existed at the inception of these leases. This change in policy has had no material effect on the condensed consolidated financial statements of the Group.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of 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 Directors, being the chief operating decision maker of the Group, 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 review the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single operating and reportable segment under IFRS 8 "Operating Segments" and accordingly no separate segment information is prepared.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

5. OTHER EXPENSES

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2010 (unaudited) RMB'000 | 2009 (unaudited) RMB'000 |
| Allowance for trade receivables | 15,402 | 1,661 |
| Research and development expenditure | 9,976 | 3,099 |
| Exchange loss, net | 2,706 | 485 |
| Loss on disposal of property, plant and equipment | 10,374 | 351 |
| | <u>38,458</u> | <u>5,596</u> |

6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------------|--------------------------------|--------------------------------|
| | 2010 (unaudited) RMB'000 | 2009 (unaudited) RMB'000 |
| The charge comprises: | | |
| Current tax | | |
| Current period | 134,494 | 47,372 |
| Deferred taxation (note 14) | 2,282 | (6,292) |
| | <u>136,776</u> | <u>41,080</u> |

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

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

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 for two years starting from its first profit-making year in 2005, followed by a 50% tax relief for the next three years. Jiangsu Xingda therefore enjoyed a 50% tax relief for six months ended 30 June 2009.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

6. INCOME TAX EXPENSE - CONTINUED

On 11 September 2009, Jiangsu Xingda was accredited as a High-tech Enterprise, a preferential tax rate of 15% was granted by the relevant tax bureaus in Jiangsu province in the PRC. In accordance with the High-tech Enterprise Certificate, the status of High-tech Enterprise is effective for the years 2010 and 2011 and the management is of the opinion that this status will be renewed before the end of year 2011 and will continue to be obtained. As a result, the tax rate of 15% is used to calculate the amount of current and deferred taxation.

At 30 June 2010, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,292 million (31 December 2009: RMB830 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.

7. PROFIT FOR THE PERIOD

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

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2010 | 2009 |
| | (unaudited) | (unaudited) |
| | RMB'000 | RMB'000 |
| Depreciation of property, plant and equipment | 152,573 | 117,126 |
| Amortisation of prepaid lease payments | 2,906 | 1,929 |
| Gain on fair value change of investment properties | (2,700) | — |
| | <u>152,779</u> | <u>119,055</u> |

8. DIVIDENDS

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2010 | 2009 |
| | (unaudited) | (unaudited) |
| | RMB'000 | RMB'000 |
| Final dividend paid for 2009 - HK10 cents per share (2009: final dividend paid for 2008 - HK8 cents per share) | 122,122 | 97,130 |
| | <u>122,122</u> | <u>97,130</u> |

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

8. DIVIDENDS - CONTINUED

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

| | Six months ended 30 June | |
|---------------------------|---|---|
| | 2010 (<i>unaudited</i>) RMB'000 | 2009 (<i>unaudited</i>) RMB'000 |
| Non-controlling interests | 8,200 | 8,200 |

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

9. 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 | |
|---|---|---|
| | 2010 (<i>unaudited</i>) RMB'000 | 2009 (<i>unaudited</i>) RMB'000 |
| Earnings | | |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company) | 476,581 | 200,795 |
| Effect of dilutive potential ordinary shares: | | |
| Fair value adjustment on convertible bonds | — | 1,033 |
| Exchange realignment on convertible bonds | — | (17) |
| Earnings for the purpose of diluted earnings per share | 476,581 | 201,811 |
| | '000 | '000 |
| 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 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,386,177 | 1,401,456 |

There was no potential ordinary shares during the six months ended 30 June 2010.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

During the period, the Group disposed of certain plant and machinery with a carrying amount of approximately RMB10,850,000 (for the six months ended 30 June 2009: RMB1,024,000) for cash proceeds of approximately RMB476,000 (for the six months ended 30 June 2009: RMB673,000), resulting in a loss on disposal of RMB10,374,000 (for the six months ended 30 June 2009: RMB351,000).

In addition, the Group spent approximately RMB489,122,000 (for the six months ended 30 June 2009: RMB269,785,000) on the construction of its manufacturing plant in the PRC and purchase of other plant and equipment, in order to upgrade its manufacturing capabilities. Borrowing costs of approximately RMB12,217,000 (for the six months ended 30 June 2009: nil) has been capitalised in these carrying amounts during the period.

The Group's investment properties were fair valued by the external valuers, DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group at 30 June 2010 and 31 December 2009. DTZ Debenham Tie Leung Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of transactions prices for similar properties in the same locations and conditions. The resulting increase in fair value of investment properties of RMB2,700,000 has been recognised directly in profit or loss for the six months ended 30 June 2010 and included in other income (for the six months ended 30 June 2009: nil).

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

11. 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 at end of the reporting period:

| | As at 30 June 2010 (unaudited) RMB'000 | As at 31 December 2009 (audited) RMB'000 |
|------------------------------------|---|--|
| Trade receivables | | |
| 0 - 90 days | 1,190,637 | 860,275 |
| 91 - 180 days | 148,099 | 92,729 |
| 181 - 360 days | 86,773 | 41,983 |
| Over 360 days | 18,634 | 82,336 |
| | 1,444,143 | 1,077,323 |
| Note receivables | | |
| 0 - 90 days | 264,817 | 397,739 |
| 91 - 180 days | 391,887 | 560,676 |
| 181 - 360 days | 105,428 | 19,650 |
| | 762,132 | 978,065 |
| Advance to suppliers | 101,034 | 231,424 |
| Other receivables and prepayments | 32,628 | 29,143 |
| Less: Allowance for doubtful debts | (120) | (120) |
| | 133,542 | 260,447 |
| | 2,339,817 | 2,315,835 |

The Group reviewed the recoverability of long aged receivables on a case by case basis and an allowance for doubtful debts of approximately RMB15,402,000 (six months ended 30 June 2009: RMB1,661,000) has been recognised for long outstanding receivables for the period.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

12. 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 at end of the reporting period:

| | As at 30 June 2010 (unaudited) RMB'000 | As at 31 December 2009 (audited) RMB'000 |
|--|---|--|
| Trade payables | | |
| 0 - 90 days | 252,108 | 315,416 |
| 91 - 180 days | 16,213 | 61,634 |
| 181 - 360 days | 3,177 | 2,558 |
| Over 360 days | 3,531 | 4,880 |
| | 275,029 | 384,488 |
| Note payables | | |
| 0 - 90 days | 52,500 | 35,000 |
| 91 - 180 days | 68,000 | — |
| | 120,500 | 35,000 |
| Value-added tax payable and other tax payables | 35,823 | 32,145 |
| Accrued staff costs | 110,516 | 137,162 |
| Payables for purchase of property, plant and equipment | 160,967 | 235,318 |
| Accrued electricity charges | 39,488 | 39,746 |
| Others | 6,656 | 13,691 |
| | 353,450 | 458,062 |
| | 748,979 | 877,550 |

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

13. BANK BORROWINGS - UNSECURED

During the period, the Group obtained new short-term bank borrowings amounting to RMB731,000,000 (for the six months ended 30 June 2009: RMB1,724,142,000). The loans carry interest at variable market rates from 4.374% to 4.860% (for the six months ended 30 June 2009: 4.371% to 5.310%) per annum and are repayable within five years. The proceeds were used as working capital and financing the construction of a new manufacturing plant. The Group also repaid bank borrowings amounting to RMB935,000,000 (for the six months ended 30 June 2009: RMB1,356,881,000) during the period.

14. DEFERRED TAX ASSETS (LIABILITIES)

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

| | Revaluation gain on investment properties <i>RMB'000</i> | Fair value gain on available -for-sale investments <i>RMB'000</i> | Excess of accounting depreciation over tax depreciation <i>RMB'000</i> | Allowance for doubtful debts <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|--|--|---|--|-------------------------|
| At 1 January 2009 (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 |
| Charge to profit or loss for the period | — | — | (72) | (331) | (403) |
| Charge to equity for the period | — | (31,385) | — | — | (31,385) |
| Effect of change in tax rate | — | — | (3,430) | 806 | (2,624) |
| At 31 December 2009 (audited) | — | (31,385) | 6,921 | 8,949 | (15,515) |
| Charge to profit or loss for the period | (675) | — | (1,159) | (448) | (2,282) |
| Credit to equity for the period | — | 31,385 | — | — | 31,385 |
| At 30 June 2010 (unaudited) | (675) | — | 5,762 | 8,501 | 13,588 |

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities as at 31 December 2009 have been offset.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

15. SHARE CAPITAL

| | Number of shares | Share capital <i>RMB'000</i> |
|------------------------------------|----------------------|------------------------------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 1 January 2010 and 30 June 2010 | <u>3,000,000,000</u> | <u>301,410</u> |
| Issued and fully paid: | | |
| At 1 January 2010 and 30 June 2010 | <u>1,386,176,693</u> | <u>139,091</u> |

16. CAPITAL COMMITMENTS

| | As at 30 June 2010 (unaudited) <i>RMB'000</i> | As at 31 December 2009 (audited) <i>RMB'000</i> |
|--|---|---|
| Capital expenditure in respect of purchase of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | <u>11,472</u> | <u>198,006</u> |

17. SHARE-AWARD SCHEME

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

During the period, 5,000,000 shares of the Company were purchased at a consideration and other incidental costs of RMB16,089,000 and were held in trust for the Participants. No share award was granted during the period.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

18. 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 | |
|---|---|-------|--------------------------------|--------------------------------|
| | | | 2010 (unaudited) RMB'000 | 2009 (unaudited) RMB'000 |
| Xingda Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan") | Provision of hotel and catering services to the Group | (a) | <u>1,577</u> | <u>1,989</u> |
| Labour Union of Jiangsu Xingda Tyre Cord Co., Ltd. ("Xingda Labour Union") | Union fees | (b) | <u>3,109</u> | <u>1,509</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 non-controlling interest of the Group. The union fees were calculated at 2% on the annual staff salaries and wages of Jiangsu Xingda.

Xingda International Holdings Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2010

18. 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 | |
|---|---------------------------------------|---------------------------------------|
| | 2010 <i>(unaudited)</i> RMB'000 | 2009 <i>(unaudited)</i> RMB'000 |
| Salaries and other benefits | 33,856 | 14,355 |
| Retirement benefit scheme contributions | 7 | 6 |
| | <u>33,863</u> | <u>14,361</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.