XINGDA
兴 达

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
2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. WU Xiaohui

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

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

COMPANY SECRETARY

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

INVESTOR RELATIONS

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

REGISTERED OFFICE

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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
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

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

Hong Kong Branch:

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

STOCK CODE

01899

WEBSITE

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

Financial Highlights

	Six months ended 30 June		
	2011	2010	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**2,805.1**	2,538.4	+10.5%
Gross profit	**758.1**	815.3	–7.0%
EBITDA[1]	**618.7**	954.3	–35.2%
Profit for the period	**339.1**	635.4	–46.6%
Profit attributable to owners of the Company	**251.1**	476.6	–47.3%
Adjusted profit attributable to owners of the Company[2]	**314.0**	365.9	–14.2%
Earnings per share – basic (RMB fen)	**16.47**	34.38	–52.1%

	30.6.2011	31.12.2010	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**9,250.9**	8,520.0	+8.6%
Total liabilities	**3,171.7**	2,589.9	+22.5%
Net assets	**6,079.2**	5,930.1	+2.5%
Equity attributable to owners of the Company	**4,694.8**	4,633.7	+1.3%

	Six months ended 30 June	
	2011	2010
KEY RATIOS		
Gross profit margin [3]	**27.0%**	32.1%
EBITDA margin [4]	**22.1%**	37.6%
Return on equity [5]	**5.3%**	13.0%

	30.6.2011	31.12.2010
Current ratio [6]	**1.56**	2.03
Gearing ratio [7]	**21.3%**	17.5%
Net debts to equity ratio [8]	**18.3%**	8.1%

Notes:

(1) It is arrived at profit for the period before finance costs, income tax expense, depreciation and amortization.

(2) It is defined as profit attributable to owners of the Company excluding all non-operating gains and losses.

(3) Gross profit divided by revenue.

(4) EBITDA divided by revenue.

(5) Profit for the period attributable to owners of the Company divided by equity attributable to owners of the Company.

(6) Current assets divided by current liabilities.

(7) Total debts (bank borrowings) divided by total assets.

(8) Total debts (bank borrowings) less cash and bank balances divided by equity attributable to owners of the Company.

Management Discussion and Analysis

We are pleased to present the interim results of Xingda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group" or "Xingda") for the six months ended 30 June 2011.

During the first half of 2011, stable development of the domestic tire industry and booming overseas demand enabled Xingda to achieve moderate growth. The Group's revenue increased by 10.5% to RMB2,805.1 million (first half of 2010: RMB2,538.4 million) while gross profit decreased to RMB758.1 million (first half of 2010: RMB815.3 million). Gross profit margin dipped modestly to 27.0% due to softened domestic demand and change in sales mix. In December 2010, the Group commenced mass production of a new product, sawing wires, which started to generate revenue during the period. Profit attributable to owners of the Company decreased by 47.3% year-on-year to approximately RMB251.1 million (first half of 2010: RMB476.6 million). Basic earnings per share was RMB16.47 fen, representing a year-on-year decline of 52.1%. The Board does not recommend payment of an interim dividend for the six months ended 30 June 2011.

To tackle domestic inflation caused by over liquidity, China adopted various tightening measures to moderate the economic growth in addition to the inflation. Consequently, the demand for truck tires was inevitably weakened as more modest economic expansion reduces growth in industry and transportation requirements. Nevertheless, total vehicle population grew across the country, reaching 7,800 units by the end of December 2010, which spurred demand in the tire replacement market, particular the robust replacement demand for passenger car tire. According to the China Association of Automobile Manufacturers, production of passenger cars and trucks reached 190,900 units and 1,488,300 units respectively by the end of June 2011, while automobile sales remained steady during the period. In addition, the favorable tire industry policy promulgated by the Ministry of Industry and Information Technology of the PRC, which aims at raising the tire radialisation rate, has presented immense opportunities to associated manufacturers, enabling radial tire output to reach 132 million units during the period under review.

In addition to the favorable operating environment of the tire cord industry, emphasis on the solar energy sector placed by the Chinese Government within the Twelfth Five-Year Plan should provide impetus for growth of the sawing wire business. The Group sees significant market potential for sawing wires in the coming years.

BUSINESS REVIEW

During the first half of 2011, the Group's total sales volume reached 226,600 tonnes, representing a year-on-year increase of 10.5%. The sales volume of radial tire cords, the Group's key product, rose by 10.3% to 191,200 tonnes, while the sales volume of bead wires was up by 5.7% to 33,400 tonnes. The two products accounted for 84.4% and 14.7% of the Group's total sales volume respectively (first half of 2010: 84.6% and 15.4%). Sales from sawing wires, which only began mass production by the Group in December 2010, accounted for around 0.9% of Xingda's total sales volume (first half of 2010: nil).

The sales volume of radial tire cords for trucks, the Group's major revenue source, decreased by 4.5% to 128,600 tonnes. Moreover, the high and stable quality of its radial tire cords for passenger cars, which are also competitively priced, was well received by the overseas market, leading to a rise in sales volume of 61.8% to 62,600 tonnes. During the period, radial tire cords for trucks and passenger cars accounted for 67.3% and 32.7% of the Group's total sales volume of radial tire cords respectively (first half of 2010: 77.7% and 22.3%).

BUSINESS REVIEW – *CONTINUED*

In an effort to enter a new business sector, the Group commenced mass production of sawing wires in December 2010, and after securing new clients, the new product subsequently provided revenue contributions during the review period. The inclusion of renewable energy as one of seven key emerging industries within the Twelfth Five-Year Plan is expected to generate huge demand from the solar industry where the wires are used to cut polysilicon ingots into wafers, thus the Group sees ample opportunities for further development of the product.

The market in China remained the main source of business for Xingda, and accounted for 83% of total sales in the first half of 2011. At the same time, the Group continued to record impressive growth from the export market, which accounted for 17% of the Group's total sales (first half of 2010: 9%).

During the period, the cost of steel wire rods rose slightly, and accounted for 59.2% of total cost of sales (first half of 2010: 55.8%). To lower costs and enhance profit margin, the Group sought to increase sourcing and use of domestic steel wire rods, as well as bulk purchases to benefit from purchase discounts.

In February 2011, a fire broke out at the Group's No.8 factory. As remedial action was promptly taken, production quickly resumed in April 2011; consequently, Xingda's performance was only slightly affected during the period under review. To accommodate growing market demand, construction of the Group's No. 9 factory has continued according to schedule. In addition, the Group intends to build a new factory in China's Shandong Province of China with a planned production capacity of 100,000 tonnes for radial tire cord, much of which will be used to manufacture truck radial tire cord. The whole project is to be developed in two phases delivering 50,000 tonnes in 2012 and another 50,000 tonnes in 2013. The construction of Shandong factory is to be in parallel with the expansion of No. 9 factory. As a result, the total production capacity for radial tire cords of the Group is expected to exceed 600,000 tonnes by 2012, reaching 700,000 tonnes by 2013. As at 30 June 2011, the Group has an annualized capacity for radial tire cord, sawing wire and bead wire of 500,000 tonnes, 12,000 tonnes and 100,000 tonnes, respectively. The overall utilisation rate decreased from 86.2% in the first half of 2010 to 74.0% in the first half of 2011.

The Group has always recognised the importance of creating new products. During the period, the Group developed 8 types of radial tire cords, 5 types of bead wires and 5 types of sawing wires. As at 30 June 2011, the Group possesses a portfolio comprising 157 types of radial tire cords, 55 types of bead wires and 8 types of sawing wires (first half of 2010: 140 types of radial tire cords, 47 types of bead wires and 3 types of sawing wires).

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

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

	Six months ended 30 June				
RMB in million	**2011**	**Proportion (%)**	2010	Proportion (%)	Change (%)
Radial Tire Cords	**2,473**	**88**	2,355	93	+5.0
– *For Truck*	***1,734***	***62***	*1,903*	*75*	*–8.9*
– *For Passenger Car*	***739***	***26***	*452*	*18*	*+63.5*
Bead Wires	**201**	**7**	183	7	+9.8
Sawing Wires	**131**	**5**	—	—	N/A
Total	**2,805**	**100**	2,538	100	+10.5

During the period under review, the Group's total revenue increased slightly by 10.5% or RMB266.7 million to RMB2,805.1 million, up from RMB2,538.4 million in the first half of 2010. Sales of radial tire cords for trucks remained the main source of revenue for the Group. Owing to strong export orders, revenue from radial tire cords for passenger cars recorded a growth of 63.5%. The Group's new product line, specifically, sawing wires, began contributing revenue, which was recorded at RMB131.0 million, representing 4.7% of the total revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Despite the ability of sawing wires to generate higher profit margin, rising revenue contribution from radial tire cords for passenger cars which carries a lower profit margin, as well as the increasing cost of steel wire rods led to a decline in the Group's gross profit margin from 32.1% in the first half of 2010 to 27.0% in the first half of 2011. Gross profit decreased by 57.2 million from RMB815.3 million to RMB758.1 million, which represented a year-on-year decline of 7.0%.

OTHER INCOME

Other income decreased by RMB5.6 million or 13.1% from RMB42.7 million in the first half of 2010 to RMB37.1 million for the period under review. The decrease was attributable to the decrease in discounts received from suppliers fully offsetting the increase in sales of scraps.

GOVERNMENT GRANTS

Government grants for the period rose by 245.3% from RMB7.5 million in the first half of 2010 to RMB25.9 million due to the increase of recurring subsidies from the local government.

FINANCIAL REVIEW – *CONTINUED*

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by RMB47.5 million or 46.7% from RMB101.8 million in the first half of 2010 to RMB149.3 million for the period under review. The increase was mainly caused by the corresponding rise in transportation costs for a higher sales volume as well as the shipping cost and storage cost associated with export sales.

ADMINISTRATIVE EXPENSES AND OTHER EXPENSES AND LOSSES

Administrative expenses for the six months ended 30 June 2011 decreased by RMB8.2 million or 7.3% to RMB104.6 million when compared to the same period of 2010, which was mainly due to the decrease in administrative staff costs and benefits. Other expenses and losses increased by RMB84.2 million or 218.7% from RMB38.5 million in the first half of 2010 to RMB122.7 million in the first half of 2011. The increment was mainly caused by the impairment loss recognised in respect of property, plant and equipment destroyed in the fire in February 2011, partially offset by the reduction in the provision for trade receivables.

FINANCE COSTS

Finance costs rose by RMB13.7 million or 51.3% to RMB40.4 million from RMB26.7 million in the same period of 2010. The increment was mainly caused by the higher interest rate and the cessation of capitalisation of borrowing cost upon completion of certain projects.

INCOME TAX

The Group had an income tax charge of RMB64.9 million with an effective tax rate of 16.1% (first half of 2010: RMB136.8 million and 17.7%) for the first half of 2011. The slight decrease of the effective tax rate was the result of higher profit contribution from the operating subsidiary with a lower tax rate during the six months ended 30 June 2011.

NET PROFIT

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2011 decreased by RMB296.3 million or 46.6% from RMB635.4 million in the first half of 2010 to RMB339.1 million. If the gain on disposal of available-for-sale investments from non-operating activities (net of tax), impairment loss recognised in respect of property, plant and equipment related to the fire in February 2011 and net exchange loss arising from non-operating activities were excluded, the adjusted net profit if the Group for the period ended 30 June 2011 would be RMB425.2 million, a decrease of RMB51.2 million or 10.7%, when compared with the same period of the previous year.

FINANCIAL REVIEW – *CONTINUED*

RECONCILIATION OF REPORT PROFIT AND UNDERLYING PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Profit for the period	**339,080**	635,375
Impairment loss recognised in respect of property, plant and equipment (net of tax effect) (note)	**76,500**	—
Gain on disposal of available-for-sale investments from non-operating activities (net of tax effect)	**—**	(158,389)
Net exchange loss (gain) arising from non-operating activities	**9,635**	(568)
Underlying profit for the period	**425,215**	476,418
Underlying profit for the period attributable to:		
Owners of the Company	**313,956**	365,869
Non-controlling interests	**111,259**	110,549
	425,215	476,418

Note: In February 2011, a fire broke out at the Group's No. 8 factory which caused damage of approximately RMB150 million to the property, plant and equipment of the Group. Since those damaged assets were covered by an insurance policy, the Group received approximately RMB60 million in June 2011 which reduced the loss from RMB150 million to RMB90 million. The impairment loss recognised in respect of property, plant and equipment would be written back upon further receipt of compensation from the insurance company in the future. The loss shown in the "Reconciliation of report profit and underlying profit" entry has been adjusted for deferred taxation.

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 addition of new production capacity.

Bank balances and cash including bank deposits of the Group decreased by RMB32.8 million from RMB1,146.9 million as at 31 December 2010 to RMB1,114.1 million as at 30 June 2011. The decrease was due to the net cash outflows of RMB541.1 million from investing activities exceeding the cash generated from operating activities of RMB269.9 million and financing activities of RMB238.4 million.

Bank borrowings were mainly in Renminbi and were increased by RMB479.0 million or 32.1% to RMB1,971.3 million as at 30 June 2011 from RMB1,492.3 million as at 31 December 2010. The bank borrowings carry interest at market rates from 3.38% to 6.31% (2010: 4.37% to 4.86%) and are repayable within one year from 30 June 2011.

The Group's current assets increased by 11.6% to RMB4,915.8 million as at 30 June 2011 from RMB4,404.0 million as at 31 December 2010 and its current liabilities increased by 45.6% from RMB2,166.9 million as at 31 December 2010 to RMB3,154.5 million as at 30 June 2011. The Group's current ratio (being defined as current assets over current liabilities) dropped from 2.03 times as at 31 December 2010 to 1.56 times as at 30 June 2011. The decline was mainly caused by the increase in bank borrowings repayable within one year. The gearing ratio which is measured by total debts (bank borrowings) to total assets increased from 17.5% as at 31 December 2010 to 21.3% as at 30 June 2011 due to an increase in bank borrowings repayable within one year.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi and US dollars. Since the sales proceeds in US dollars has been fully used, the slight appreciation of the Renminbi did not have a materially unfavourable effect on the operations of the Group in the first half of 2011.

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

CAPITAL EXPENDITURE

As at 30 June 2011, capital expenditure of the Group for property, plant and equipment amounted to RMB472.4 million (31 December 2010: RMB865.0 million).

CAPITAL COMMITMENTS

As at 30 June 2011, the Group had made capital commitment of approximately RMB122.8 million (31 December 2010: RMB53.4 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 2011.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2011.

PLEDGE OF ASSETS

As at 30 June 2011, the Group pledged bank deposits of RMB16.4 million to secure its bank borrowings (31 December 2010: RMB16.4 million).

SIGNIFICANT INVESTMENTS

The Group had no new significant external investments for the six months ended 30 June 2011.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the six months ended 30 June 2011.

HUMAN RESOURCES

As at 30 June 2011, the Group had approximately 8,800 (31 December 2010: approximately 7,800) full time employees. Total staff costs including directors' remuneration for the six months ended 30 June 2011 was approximately RMB173.3 million (first half of 2010: approximately RMB188.9 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programmes for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Jiangsu Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2011, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB3.1 million (first half of 2010: RMB3.1 million).

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

In 2009, the Board of Directors adopted a share award scheme to encourage and retain elite employees to stay with the Group and to provide incentives to achieve performance goals with a view to attaining the objectives of increasing the value of the Group and aligning the interests of selected employees directly to the shareholders of the Company through ownership of shares. Pursuant to the scheme, shares will be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the selected employees until such shares are vested in the selected employees in accordance within the provisions of the scheme. 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 in the reserve of the Company. As at 30 June 2011, two-third of the 5,000,000 shares held under the share award scheme were distributable to selected employees whereas the rest of the shares are expected to be awardable before 30 June 2012.

PROSPECTS

The Group expects the macroeconomic environment of China to be more stable in the second half of the year. The latest statistics of China showed a diminishing inflationary pressure as monetary tightening measures have come into effect. The acceleration of urbanization, infrastructure construction in the middle and west region of China offers great logistics demand which in turn brings robust replacement demand for truck tires. Furthermore, coupled with favorable tire industry policies put forward by the Chinese Government aimed at raising the radialisation rate among passenger cars, heavy duty trucks and light trucks to 100%, 90% and 85% respectively, huge market demand is foreseeable. Xingda will duly seek to tap the ample opportunities by expanding its production capacity through the production base in Jiangsu Province as well as the new plant in Shandong Province.

The inclusion of renewable energy as one of the seven key emerging industries within the Twelfth Five-Year Plan is expected to generate huge demand in the solar power industry. Xingda is making good progress in expanding its clientele and will continue to place efforts toward increasing sales orders for sawing wires. While expanding the production capacity of sawing wire, the Group will modify the machinery and refine the production process to enhance the yield. With sawing wire production sharing much of the same equipment used in producing radial tire cords, the Group should continue to benefit from the economies of scale and greater cost efficiency. Xingda sees sawing wires as an important growth driver in the years ahead.

The Group is cautiously optimistic about the future outlook of the market and will remain prudent, closely monitoring industry trends and making adjustments when deemed necessary. Exploiting its competitive advantages, ample experience and reputation built over the years, Xingda is also continuing with its overseas expansion drive. Looking ahead, the Group intends to adhere to its strategic development plan in order to fortify its leading position in China as well as reinforce its global presence, aiming to become the world's largest radial tire cord manufacturer. Through this strategy, Xingda would be able to deliver still greater returns to its shareholders.

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 2011.

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

As at 30 June 2011, 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 Directors of Listed Issuers ("Model Code"), were as follows:

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 30 June 2011
Liu Jinlan	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	564,091,000	36.99%
Liu Xiang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 2)*	564,091,000	36.99%
Tao Jinxiang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 3)*	564,091,000	36.99%
Zhang Yuxiao	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 4)*	564,091,000	36.99%
Koo Fook Sun, Louis	Beneficial owner	17,000	0.00%
William John Sharp	Beneficial owner	17,000	0.00%

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 2011, Great Trade Limited held 238,348,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

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 2011, In-Plus Limited held 135,064,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

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 2011, Perfect Sino Limited held 111,229,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

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 2011, Power Aim Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

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

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 30 June 2011
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 30 June 2011, 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 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the Share Award Scheme for the six months ended 30 June 2011 are set out in note 19 to the condensed consolidated financial statements.

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

As at 30 June 2011, 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:

Other Information

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 2011
Great Trade Limited	Beneficial owner	238,348,000	15.63%
In-Plus Limited	Beneficial owner	135,064,000	8.86%
Perfect Sino Limited	Beneficial owner	111,229,000	7.29%
Hang Youming	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	564,091,000	36.99%
Lu Guangming George	Interests of controlled corporations *(note 2)*	83,187,600	5.46%
E-Star Corporation	Beneficial owner *(note 3)*	112,361,400	7.37%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 3)*	112,361,400	7.37%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 3)*	112,361,400	7.37%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation *(note 3)*	112,361,400	7.37%
Prudential plc	Interests of controlled corporations *(Note 4)*	94,683,000	6.21%

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 2011, Wise Creative Limited held 39,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. Mr. Lu Guangming George legally owned 100% of the issued share capital of Surfmax Corporation, which was the member manager of Surfmax Investments, LLC (formerly known as Surfmax-Estar Fund A, LLC). As at 30 June 2011, Surfmax Investments, 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 2011. For the purpose of Part XV of the SFO, Mr. Lu Guangming George was deemed to be interested in the shares held by Surfmax Investments, LLC and Win Wide International Ltd. respectively.

3. COFCO Corporation (formerly known as COFCO Limited) owned 100% of the issued share capital of COFCO (BVI) Limited, which in turn owned 100% of the issued share capital of COFCO (BVI) No. 88 Limited, which in turn owned 100% of the issued share capital of E-Star Corporation. As at 30 June 2011, E-Star Corporation held 112,361,400 shares in the Company. For the purpose of Part XV of the SFO, COFCO Corporation, COFCO (BVI) Limited and COFCO (BVI) No. 88 Limited are deemed to be interested in the shares in the Company held by E-Star Corporation.

4. Prudential plc held 100% interest in Prudential Holdings Ltd, which in turn held 100% interest in Prudential Corporation Holdings Ltd, which in turn owned 100% interest in Prudential Asset Management (Hong Kong) Ltd. Prudential Asset Management (Hong Kong) Ltd held 94,683,000 shares in the Company as at 30 June 2011. For the purpose of Part XV of the SFO, Prudential plc is deemed to be interested in the shares in the Company held by Prudential Asset Management (Hong Kong) Ltd.

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 2011 which are required to be recorded in the register maintained under section 336 of the SFO.

DEED OF NON-COMPETITION

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

The Company has received the declaration for the six months ended 30 June 2011 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.

CHANGES IN THE BOARD

Mr. Cao Junyong resigned as an executive Director with effect from 13 April 2011. He also ceased to be a member of the Executive Committee and the Management and Operations Committee of the Company with effect from the same date. The Board extends its gratitude to Mr. Cao Junyong for his valuable contributions to the Company during his tenure of office.

Mr. Zhou Mingchen retired by rotation as a non-executive Director of the Company at the annual general meeting held on 27 May 2011 and did not offer himself for re-election. He also ceased to be the chairman and a member of the Nomination Committee of the Company with effect from the same date. The Board extends its gratitude to Mr. Zhou Mingchen for his valuable efforts and contributions to the Company during his term of appointment and offers 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 2011, 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 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 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 2011.

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 2011.

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; and
- the remaining balance of approximately HKD37 million is intended to be used as general working capital.

Up to 30 June 2011, the Group has utilised approximately HKD681 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus *HKD'000*	Actual uses of funds up to 30 June 2011 *HKD'000*	Balance of net proceeds as at 30 June 2011 *HKD'000*
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	4,529	65,471
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	1,087,000	680,887	406,113

The remaining amount of approximately HKD406 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus.

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010 were also placed in short term deposits with licensed banks in Hong Kong. It will be utilized for enhancing the production facilities of the Group, financing the development of new products of the Group and general working capital of the Company.

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 2011.

By Order of the Board
XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan
Chairman

Shanghai, the PRC, 25 August 2011

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 2011 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 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of 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
25 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June **2011** ***(unaudited)*** ***RMB'000***	 2010 *(unaudited)* *RMB'000*
Revenue	4	**2,805,061**	2,538,370
Cost of sales		**(2,046,957)**	(1,723,068)
Gross profit		**758,104**	815,302
Other income	5	**37,066**	42,691
Gain on disposal of available-for-sale investments		**—**	186,340
Government grants	6	**25,902**	7,535
Selling and distribution expenses		**(149,262)**	(101,782)
Administrative expenses		**(104,648)**	(112,802)
Other expenses and losses	7	**(122,744)**	(38,458)
Finance costs		**(40,426)**	(26,675)
Profit before taxation		**403,992**	772,151
Income tax expense	8	**(64,912)**	(136,776)
Profit for the period	9	**339,080**	635,375
Other comprehensive (loss) income			
Fair value loss on available-for-sale investments		**—**	(22,895)
Reclassification adjustment upon disposal of available-for-sale investments		**—**	(186,340)
Deferred tax liability on recognition of fair value gain on available-for-sale investments released upon disposal		**—**	31,385
Other comprehensive loss for the period (net of tax)		**—**	(177,850)
Total comprehensive income for the period		**339,080**	457,525
Profit for the period attributable to:			
Owners of the Company		**251,123**	476,581
Non-controlling interests		**87,957**	158,794
		339,080	635,375
Total comprehensive income attributable to:			
Owners of the Company		**251,123**	352,904
Non-controlling interests		**87,957**	104,621
		339,080	457,525
Earnings per share	11		
Basic (RMB fen)		**16.47**	34.38

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	**As at 30 June 2011 (unaudited) RMB'000**	As at 31 December 2010 (audited) RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,848,390**	3,709,682
Prepaid lease payments		**247,737**	247,643
Investment properties	12	**122,000**	122,000
Deposits paid for purchase of property, plant and equipment		**88,145**	22,546
Deferred tax assets	16	**28,860**	14,101
		4,335,132	4,115,972
CURRENT ASSETS			
Prepaid lease payments		**5,692**	5,632
Inventories		**655,008**	449,805
Trade and other receivables	13	**3,032,004**	2,785,357
Pledged bank deposits		**16,387**	16,387
Fixed bank deposits		**92,600**	29,500
Bank balances and cash		**1,114,079**	1,117,355
		4,915,770	4,404,036
CURRENT LIABILITIES			
Trade and other payables	14	**1,105,760**	1,001,932
Amount due to a director		**48**	48
Amount due to a related company		**3,557**	2,328
Tax payable		**73,905**	70,338
Bank borrowings – due within one year	15	**1,971,259**	1,092,259
		3,154,529	2,166,905
NET CURRENT ASSETS		**1,761,241**	2,237,131
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,096,373**	6,353,103
NON-CURRENT LIABILITIES			
Borrowings – due after one year		**—**	400,000
Government grants		**17,200**	23,040
		17,200	423,040
NET ASSETS		**6,079,173**	5,930,063
CAPITAL AND RESERVES			
Share capital	17	**150,999**	150,999
Reserves		**4,543,809**	4,482,656
Equity attributable to owners of the Company		**4,694,808**	4,633,655
Non-controlling interests		**1,384,365**	1,296,408
TOTAL EQUITY		**6,079,173**	5,930,063

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Investments revaluation reserve RMB'000	Capital contribution reserve RMB'000 (note b)	Statutory common reserve RMB'000 (note c)	Capital redemption reserve RMB'000	Shares held under share award scheme RMB'000	Awards share compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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 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 10)	—	(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
At 1 January 2011 (audited)	150,999	1,622,088	283,352	—	(130,150)	404,127	2,062	(10,942)	1,438	2,310,681	4,633,655	1,296,408	5,930,063
Profit for the period	—	—	—	—	—	—	—	—	—	251,123	251,123	87,957	339,080
Total comprehensive income for the period	—	—	—	—	—	—	—	—	—	251,123	251,123	87,957	339,080
Dividends recognised as distribution (note 10)	—	(194,181)	—	—	—	—	—	—	—	—	(194,181)	—	(194,181)
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	—	4,211	—	4,211	—	4,211
At 30 June 2011 (unaudited)	**150,999**	**1,427,907**	**283,352**	**—**	**(130,150)**	**404,127**	**2,062**	**(10,942)**	**5,649**	**2,561,804**	**4,694,808**	**1,384,365**	**6,079,173**

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.

(c) According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Jiangsu Xingda Special Cord Co., Ltd. ("Xingda Special Cord"), Xingda International (Shanghai) Special Cord Co., Ltd. ("Xingda International (Shanghai)") and Shanghai Xingda Steel Tyre Cords Co., Ltd. ("Shanghai Xingda"), they are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Profit before taxation	**403,992**	772,151
Depreciation and amortisation	**174,250**	155,479
Impairment loss recognised in respect of property, plant and equipment (note 7)	**90,000**	—
Gain on disposal of available-for-sale investments	**—**	(186,340)
Increase in inventories	**(205,203)**	(248,425)
Increase in trade and other receivables	**(247,447)**	(39,384)
Increase (decrease) in trade and other payables	**90,472**	(54,221)
Income tax paid	**(76,104)**	(145,891)
Other operating cash flows	**39,970**	50,229
	269,930	303,598
NET CASH USED IN INVESTING ACTIVITIES		
Additions to and deposit paid for purchase of property, plant and equipment	**(518,610)**	(438,954)
Placement of fixed bank deposits with original maturity more than three months	**(92,600)**	—
Purchase of land use right	**(3,000)**	(22,132)
Compensation income received	**60,000**	—
Proceeds from disposal of property, plant and equipment	**11,019**	476
Interest received	**2,079**	2,167
Sales proceed on disposal of available-for-sale investments	**—**	284,425
	(541,112)	(174,018)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		
Bank borrowings raised	**1,540,000**	731,000
Repayment of bank borrowings	**(1,061,000)**	(935,000)
Dividend paid	**(194,181)**	(130,322)
Finance costs	**(46,413)**	(38,892)
Purchase of shares under share award scheme	**—**	(16,089)
	238,406	(389,303)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(32,776)**	(259,723)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,146,855**	646,544
CASH AND CASH EQUIVALENTS AT 30 JUNE	**1,114,079**	386,821
Represented by:		
Bank balances and cash	**1,114,079**	386,821

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

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, bead wires and sawing 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 the investment properties which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

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 IFRS Interpretations Committee (the "IFRIC") of the IASB.

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

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

The Group has not early applied new or revised Standards and Amendments that have been issued but are not yet effective. The following new or revised Standards and Amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosures of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 July 2012

The new or revised standards on consolidation, joint arrangements and disclosures were issued in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these new or revised standards are applied early at the same time. The directors of the Company ("Directors") anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires a lot of judgment. The application of IFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

Other than disclosed above, the Directors anticipate that the application of the other new or revised Standards and Amendments 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, bead wires and sawing 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. The Group's non-current assets (other than deferred tax assets) are located in the PRC.

5. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Sales of scrap materials	**29,826**	28,752
Interest income earned on bank balances and bank deposits	**2,079**	2,167
Cash discounts received on early settlement of trade payables	**—**	4,594
Gain on fair value change of investment properties	**—**	2,700
Sundry income	**5,161**	4,478
	37,066	42,691

6. GOVERNMENT GRANTS

Government grants represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products during the six months ended 30 June 2011 and 2010. For the period ended 30 June 2011, government grants where there were specific conditions attached to the grants, RMB5,340,000 were recognised by the Group (2010: Nil) in the consolidated statement of comprehensive income when it fulfilled all the conditions specified in the grant notice. For the government grants that do not have any specific conditions attached, an amount of RMB20,562,000 (2010: RMB7,535,000) was recognised in the consolidated statement of comprehensive income when the grants were received.

7. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Allowance for trade receivables	**800**	15,402
Research and development expenditure	**13,550**	9,976
Exchange loss, net	**17,171**	2,706
Loss on disposal of property, plant and equipment	**1,223**	10,374
Impairment loss recognised in respect of property, plant and equipment (Note 12)	**90,000**	—
	122,744	38,458

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
Current period	**79,671**	134,494
Deferred taxation (note 16)	**(14,759)**	2,282
	64,912	136,776

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.

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 2009, 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 2011, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,892 million (31 December 2010: RMB1,292 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.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**171,404**	152,573
Amortisation of prepaid lease payments	**2,846**	2,906

10. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Final dividend paid for 2010 – HK15 cents per share (2010: final dividend paid for 2009 – HK10 cents per share)	**194,181**	122,122

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Non-controlling interests	**—**	8,200

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

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**251,123**	476,581
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,524,777**	1,386,177

There was no potential ordinary shares during the six months ended 30 June 2011 and 2010.

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

During the period, the Group disposed of certain plant and machinery with a carrying amount of approximately RMB12,242,000 (for the six months ended 30 June 2010: RMB10,850,000) for cash proceeds of approximately RMB11,019,000 (for the six months ended 30 June 2010: RMB476,000), resulting in a loss on disposal of RMB1,223,000 (for the six months ended 30 June 2010: RMB10,374,000).

In addition, the Group spent approximately RMB472,354,000 (for the six months ended 30 June 2010: RMB489,122,000) 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 RMB5,987,000 has been capitalised in these carrying amounts during the period (for the six months ended 30 June 2010: RMB12,217,000).

An impairment loss of RMB150,000,000 (for the six months ended 30 June 2010: nil) was recognised in respect of damages which arose from a fire which broke out in one of the Group's factory during the six months ended 30 June 2011. The amount of impairment is estimated based on the carrying amount of items of property, plant and equipment to be replaced or restored as a result of the damages. The management has submitted the claim to the insurance company and RMB60,000,000 has been received by the Group as compensation for loss in the current interim period. The claim evaluation process is ongoing. The net amount, representing impairment loss net of compensation received, of RMB90,000,000 is reported in other expenses and losses account in the current interim period.

The Group's investment properties as at 30 June 2011 were fair valued by the directors by comparing market value of the nearby buildings. No change in fair value of investment properties was resulted, thus no valuation movement has been recognised in respect of the Group's investment properties for the six months ended 30 June 2011 (2010: RMB2,700,000 increase in fair value).

13. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade and note receivables by age, presented based on the invoice date and maturity date respectively at end of the reporting period:

	As at 30 June 2011	As at 31 December 2010
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,517,977**	1,253,459
91 – 180 days	**178,556**	194,005
181 – 360 days	**76,268**	49,451
Over 360 days	**22,350**	15,284
	1,795,151	1,512,199
Note receivables		
0 – 90 days	**317,512**	433,382
91 – 180 days	**435,062**	377,121
181 – 360 days	**303,482**	210,297
	1,056,056	1,020,800
Advance to raw materials suppliers	**146,971**	224,441
Spools	**17,001**	19,117
Other receivables and prepayments	**16,945**	8,920
Less: Allowance for doubtful debts	**(120)**	(120)
	180,797	252,358
	3,032,004	2,785,357

The Group reviewed the recoverability of long aged receivables on a case by case basis and an allowance for doubtful debts of approximately RMB800,000 (six months ended 30 June 2010: RMB15,402,000) has been recognised for long outstanding receivables for the period.

14. 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 2011 *(unaudited)* *RMB'000*	As at 31 December 2010 *(audited)* *RMB'000*
Trade payables		
0 – 90 days	**238,953**	227,218
91 – 180 days	**67,264**	84,898
181 – 360 days	**14,262**	2,783
Over 360 days	**3,775**	4,368
	324,254	319,267
Note payables		
0 – 90 days	**259,000**	119,500
91 – 180 days	**175,000**	150,500
	434,000	270,000
Value-added tax payable and other tax payables	**29,155**	22,761
Accrued staff costs	**73,425**	155,889
Payables for purchase of property, plant and equipment	**167,236**	153,880
Accrued electricity charges	**35,845**	42,517
Accrued pension	**26,834**	26,834
Others	**15,011**	10,784
	347,506	412,665
	1,105,760	1,001,932

15. BANK BORROWINGS – UNSECURED

During the period, the Group obtained new bank borrowings amounting to RMB1,540,000,000 (for the six months ended 30 June 2010: RMB731,000,000). The loans carry interest at variable market rates from 3.383% to 6.310% (for the six months ended 30 June 2010: 4.374% to 4.860%) per annum and are repayable within one year. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB1,061,000,000 (for the six months ended 30 June 2010: RMB935,000,000) during the period.

16. DEFERRED TAX ASSETS

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

	Revaluation gain on investment properties	Fair value gain on available-for-sale investments	Excess of accounting depreciation over tax depreciation	Allowance for doubtful debts	Impairment recognised in respect of property, plant and equipment (net of the compensation received)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010 (audited)	—	(31,385)	6,921	8,949	—	(15,515)
Credit 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
Credit (charge) to profit or loss for the period	—	—	3,341	(2,828)	—	513
At 31 December 2010 (audited)	(675)	—	9,103	5,673	—	14,101
Credit (charge) to profit or loss for the period	—	—	1,229	30	13,500	14,759
At 30 June 2011 (unaudited)	**(675)**	**—**	**10,332**	**5,703**	**13,500**	**28,860**

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities as at 30 June 2011 and 31 December 2010 have been offset.

17. SHARE CAPITAL

	Number of shares	Share capital *RMB'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2011 and 30 June 2011	3,000,000,000	301,410
Issued and fully paid:		
At 1 January 2011 and 30 June 2011	1,524,776,693	150,999

18. CAPITAL COMMITMENTS

	As at 30 June 2011 ***(unaudited)*** ***RMB'000***	As at 31 December 2010 *(audited)* *RMB'000*
Capital expenditure in respect of purchase of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**122,834**	53,384

19. 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 six months period ended 30 June 2010, 5,000,000 shares of the Company were purchased at a consideration and other incidental costs of RMB16,099,000 and were held in trust for the Participants. No shares have been purchased for this period and no shares award was granted during both periods.

The awarded shares would be vested by approximately 1,666,666 shares annually over a period of 3 years. The outstanding award shares as at 30 June 2011 are 3,333,332 (2010: 3,333,332). During the period, the Group recognised total expense of approximately RMB4,211,000 (for the six months ended 30 June 2010: nil) in relation to shares granted under the Scheme by the Company.

20. RELATED PARTY TRANSACTIONS

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

			Six months ended 30 June	
Name of related party	**Nature of transaction**	*Note*	**2011**	2010
			(unaudited)	*(unaudited)*
			RMB'000	*RMB'000*
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services to the Group	(a)	**1,969**	1,577

Note:

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

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	
	2011	2010
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Salaries and other benefits	**32,998**	33,856
Retirement benefit scheme contributions	**8**	7
Share based payments	**3,775**	—
	36,781	33,863

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.

21. EVENT AFTER THE END OF THE INTERIM PERIOD

Subsequent to the end of the reporting period, the Group entered into an agreement with two venture partners for the formation of a joint venture company ("JVC"), to be contributed by the Group. On 16 August 2011, the Group injected US$38,250,000 (equivalent to approximately RMB246,330,000) as initial capital to the JVC. The business of the JVC formed is for the production and sale of radial tyre cords and bead wires, and the distribution, import and export of self-produced products and products of the same type. Details of the agreement are set out in the Group's Announcement and Notices dated 28 July 2011.