INTERIM REPORT
2012

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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)

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

NOMINATION COMMITTEE

Mr. LIU Jinlan *(Chairman)*
Mr. KOO Fook Sun, Louis
Ms. XU Chunhua

COMPANY SECRETARY

Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES

Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS

As to Hong Kong Law:

Deacons

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

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

Room 3506, 35th Floor
Central Plaza, 18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal:

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

Hong Kong Branch:

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

STOCK CODE

01899

WEBSITE

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

Financial Highlights

	Six months ended 30 June		
	2012	2011	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**2,763.7**	2,805.1	–1.5%
Gross profit	**568.0**	758.1	–25.1%
EBITDA [1]	**499.2**	618.7	–19.3%
Profit for the period	**193.8**	339.1	–42.8%
Profit attributable to owners of the Company	**149.3**	251.1	–40.5%
Adjusted profit attributable to owners of the Company [2]	**149.3**	314.0	–52.5%
Earnings per share – basic (RMB fen)	**9.79**	16.47	–40.5%

	30.6.2012	31.12.2011	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**9,391.9**	9,608.9	–2.3%
Total liabilities	**3,150.6**	3,319.0	–5.1%
Net assets	**6,241.3**	6,289.9	–0.8%
Equity attributable to owners of the Company	**4,755.9**	4,849.0	–1.9%

	Six months ended 30 June	
	2012	2011
KEY RATIOS		
Gross profit margin [3]	**20.6%**	27.0%
EBITDA margin [4]	**18.1%**	22.1%
Return on equity [5]	**3.1%**	5.3%
	30.6.2012	31.12.2011
Current ratio [6]	**1.50**	1.51
Gearing ratio [7]	**20.5%**	19.3%
Net debts to equity ratio [8]	**28.9%**	23.1%

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 2012.

During the first half of 2012, the Group's revenue decreased slightly by 1.5% to RMB2,763.7 million (first half of 2011: RMB2,805.1 million) while gross profit and gross profit margin declined to RMB568.0 million (first half of 2011: RMB758.1 million) and 20.6% (first half of 2011: 27.0%), respectively. Profit attributable to owners of the Company declined by 40.5% year-on-year to RMB149.3 million (first half of 2011: RMB251.1 million). Basic earnings per share were RMB9.79 fen, representing a year-on-year decline of 40.5%. The Board does not recommend payment of an interim dividend for the six months ended 30 June 2012.

Due to the unresolved Eurozone debt crisis and global market tensions, related pressure on the Chinese economy was reflected in the slowdown of GDP growth and a sluggish export market. The operating environment of the domestic radial tire cord industry was inevitably affected. Although the demand for truck tire cords remained weak in the first half of 2012 in China, the Group was able to maintain a moderate growth on sales volume for truck tire cord products in the domestic market. In view of the solid relations with various global tire companies, the Group's export business continued to grow in the first half of 2012 and has become increasingly important to Xingda's revenues.

According to the China Association of Automobile Manufacturers, during the period under review, production of passenger cars reached 7.6 million, a growth of 7.9% compared to the same period in 2011. This has fueled the growth in the sales volume of radial tire cord for passenger cars in the domestic market. However, due to the slowdown in road freight activities, fixed-asset investments, property development and infrastructure construction, both new truck sales and truck fleet utilisation showed a decline compared to the same period last year which in turn weakened the truck manufacturers and aftermarket's demand for truck tires.

BUSINESS REVIEW

As one of the leading manufacturers in the industry with a strong customer base, Xingda has demonstrated its ability to mitigate the negative impact of the economic downturn by leveraging its competitive advantages. For the six months ended 30 June 2012, the Group's total sales volume reached 242,700 tonnes, a year-on-year increase of 7.1%. The sales volume of radial tire cords rose by 8.0% to 206,400 tonnes, while the sales volume of bead wires was down by 2.5% to 32,600 tonnes. The two products accounted for 85.1% and 13.4% of the Group's total sales volume respectively (first half of 2011: 84.4% and 14.7%). The sales volume of sawing wires was 3,700 tonnes, and accounted for 1.5% of Xingda's total sales volume (first half of 2011: 0.9%).

Sales volume of the Group's key product, radial tire cords for trucks increased 4.9% to 134,900 tonnes due to the moderate growth in domestic market together with strong export growth. As the second major product to the Group, sales volume of radial tire cord for passenger cars surged 14.2% to 71,500 tonnes which was contributed by the growing export sales and the expanding replacement market in China. During the period, radial tire cords for trucks and passenger cars accounted for 65.4% and 34.6% of the Group's total sales volume of radial tire cords respectively (first half of 2011: 67.3% and 32.7%).

BUSINESS REVIEW – *CONTINUED*

China has traditionally been the Group's key market. As a first-tier player in the industry, the Group has been able to leverage its relationship with renowned customers and maintained a stable performance in the domestic market, accounting for 80.8% of the Group's total sales. As a good return for the Group's continued efforts in the development of the overseas market, export sales accounted for a rising proportion of the Group's total sales at 19.2% (first half of 2011: 17.3%).

Benefiting from the lower raw material prices, cost of the Group's major raw material, steel wire rods, accounting for 57.0% of the total cost of sales (first half of 2011: 59.2%) recorded a mild decline while costs in other areas increased moderately in the first half of 2012. The Group has strived to step up its cost control measures to reduce costs so as to ease margin contraction.

Xingda has adjusted its expansion plans in response to changing market demand. During the period under review, the Group suspended the capacity expansion in Jiangsu plant. The construction of the Shandong plant was proceeding at a slower pace and was expected to commence operation in 2013. As at 30 June 2012, the Group had an annual 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 and the utilisation rate of radial tire cords reached 80.6% and 84.0% respectively in the first half of 2012 (first half of 2011: 74.0% and 76.4%, respectively).

To accommodate the different requirements of a variety of clients, Xingda has developed 9 types of radial tire cords, 2 types of bead wires and 1 type of sawing wire during the period under review. As at 30 June 2012, the Group provided a product mix consisting of 171 types of radial tire cords, 63 types of bead wires and 9 types of sawing wires (first half of 2011: 157 types of radial tire cords, 55 types of bead wires and 8 types of sawing wires).

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

The Group's revenue according to product categories is as follows:

	Six months ended 30 June				
RMB in million	**2012**	**Proportion (%)**	2011	Proportion *(%)*	Change *(%)*
Radial Tire Cords	**2,461.4**	**89**	2,473.4	88	–0.5
– For Truck	***1,659.6***	***60***	*1,734.5*	*62*	*–4.3*
– For Passenger Car	***801.8***	***29***	*738.9*	*26*	*+8.5*
Bead Wires	**198.2**	**7**	200.7	7	–1.2
Sawing Wires	**104.1**	**4**	131.0	5	–20.6
Total	**2,763.7**	**100**	2,805.1	100	–1.5

Radial tire cord for trucks which contributed RMB1,659.6 million to the Group's revenue in the first half of 2012 remained as the main product line of the Group. With the expanding overseas market and growing domestic market, revenue from radial tire cords for passenger cars recorded a revenue of RMB801.8 million, while the revenue for bead wires and sawing wires was RMB198.2 million and RMB104.1 million respectively. During the first half of 2012, the Group's total revenue decreased moderately by 1.5% or RMB41.4 million to RMB2,763.7 million from RMB2,805.1 million in the first half of 2011. The decline was mainly caused by the pricing pressure in the domestic market.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit decreased by 25.1% or RMB190.1 million to RMB568.0 million in the first half of 2012 (the first half of 2011: RMB758.1 million) due to the decline on average selling prices for both radial tire cord products and sawing wire products. The cost of sales remained fairly stable in the first half of 2012. Although most of the production cost increased mildly in 2012, the decline in steel rods price has mostly offset the cost pressure brought by other cost elements. Consequently, gross profit margin dropped to 20.6% (the first half of 2011: 27.0%).

OTHER INCOME

Other income increased by RMB0.2 million or 0.5% from RMB37.1 million in the first half of 2011 to RMB37.3 million for the period under review. The increase was mainly caused by higher bank interest income partially offset by the decrease in sales from scrap materials.

GOVERNMENT GRANTS

Government grants for the period decreased by 98.1% from RMB25.9 million in the first half of 2011 to RMB0.5 million due to the decrease of recurring subsidies from the local government.

FINANCIAL REVIEW – *CONTINUED*

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by RMB27.4 million or 18.4% from RMB149.3 million in the first half of 2011 to RMB176.7 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 growing export sales.

ADMINISTRATIVE EXPENSES AND OTHER GAINS, LOSSES AND EXPENSES

Administrative expenses for the six months ended 30 June 2012 decreased by RMB2.7 million or 2.6% to RMB101.9 million when compared to the same period of 2011, which was mainly due to the decrease in various expenditures caused by implementation of effective cost control measures. Other gains, losses and expenses decreased by RMB85.9 million or 70.0% from RMB122.7 million in the first half of 2011 to RMB36.8 million in the first half of 2012. The decrease was mainly due to no one off impairment loss on property, plant and equipment and exchange losses were recorded in the first half of 2012.

FINANCE COSTS

Finance costs rose by RMB16.9 million or 41.8% to RMB57.3 million from RMB40.4 million in the same period of 2011. The increment was mainly caused by the higher interest rate and increase in average bank borrowings in the first half of 2012.

INCOME TAX

The Group had an income tax charge of RMB43.1 million with an effective tax rate of 18.2% (first half of 2011: RMB64.9 million and 16.1%) for the first half of 2012. The increase in effective tax rate was the result of higher profit contribution from the operating subsidiary with a higher tax rate during the six months ended 30 June 2012.

NET PROFIT

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2012 decreased by RMB145.3 million or 42.8% from RMB339.1 million in 2011 to RMB193.8 million. If the 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 of the Group for the six months ended 30 June 2012 would be RMB193.8 million, a decrease of RMB231.4 million or 54.4%, when compared with the same period of the previous year.

FINANCIAL REVIEW – *CONTINUED*

RECONCILIATION OF REPORT PROFIT AND UNDERLYING PROFIT

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Profit for the period	**193,767**	339,080
Impairment loss recognised in respect of property, plant and equipment (net of tax effect) *(note)*	**—**	76,500
Net exchange loss arising from non-operating activities	**—**	9,635
Underlying profit for the period	**193,767**	425,215
Underlying profit for the period attributable to:		
Owners of the Company	**149,297**	313,956
Non-controlling interests	**44,470**	111,259
	193,767	425,215

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, and equipment has been written back upon receipt of compensation from the insurance companies in the second half of 2011. 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 activities whereas the principal uses of cash were settlement on committed amount in acquiring plant and machinery and payment of dividends.

Bank balances and cash including bank deposits of the Group decreased by RMB178.0 million from RMB730.9 million as at 31 December 2011 to RMB552.9 million as at 30 June 2012. The decrease was due to the net cash outflow of RMB281.5 million from investing activities and RMB230.5 million from financing activities exceeding the cash generated from operating activities of RMB334.0 million.

Bank borrowings were in renminbi and were increased by RMB78.0 million or 4.2% to RMB1,928.0 million as at 30 June 2012 from RMB1,850.0 million as at 31 December 2011. The bank borrowings carry interest at market rates from 5.61% to 7.93% (2011: 5.19% to 6.56%) and are repayable within one year from 30 June 2012.

The Group's current assets decreased by 5.5% to RMB4,710.9 million as at 30 June 2012 from RMB4,983.0 million as at 31 December 2011 and its current liabilities decreased by 5.1% from RMB3,309.0 million as at 31 December 2011 to RMB3,140.6 million as at 30 June 2012. The Group's current ratio (being defined as current assets over current liabilities) remained stable at 1.5 times as at 31 December 2011 and 30 June 2012. The gearing ratio which is measured by total debts (bank borrowings) to total assets increased from 19.3% as at 31 December 2011 to 20.5% as at 30 June 2012 due to the increase in bank borrowings and decrease in bank balances.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in renminbi, US dollars and euro. Since more than half of the sales proceeds in US dollars and euro had been used to purchase imported raw materials in the same currencies, the depreciation of the renminbi did not have a material impact on the operations of the Group in the first half of 2012.

Apart from certain bank and debtors' balances in HK dollars, US dollars and euro, 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 material adverse 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 will closely monitor the impact of change in value of the renminbi on its operation and consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the six months ended 30 June 2012, capital expenditure of the Group for property, plant and equipment amounted to RMB228.4 million (for the six months ended 30 June 2011: RMB472.4 million).

CAPITAL COMMITMENTS

As at 30 June 2012, capital commitments of the Group for property, plant and equipment amounted to RMB61.0 million (31 December 2011: RMB61.4 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2012 and 31 December 2011 respectively.

PLEDGE OF ASSETS

As at 30 June 2012, the Group pledged bank deposits and note receivables of balances RMB79.4 million and RMB125.9 million, respectively, to secure its bank borrowings and notes payables (31 December 2011: bank deposits of RMB108.3 million, short-term trade receivables of RMB50.7 million and notes receivable of RMB250.0 million).

SIGNIFICANT INVESTMENTS

The Group had no other significant external investments for the six months ended 30 June 2012 and 2011.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the six months ended 30 June 2012 and 2011.

HUMAN RESOURCES

As at 30 June 2012, the Group had approximately 7,600 (31 December 2011: approximately 7,500) full time employees. Total staff costs including directors' remuneration for the six months ended 30 June 2012 was approximately RMB208.7 million (first half of 2011: approximately RMB173.3 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 2012, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union amounted to RMB3.4 million (first half of 2011: 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. In 2010, 5,000,000 Company's shares (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 Company's shares (the "Second Batch Shares") were purchased by the trustee on the public market. The total consideration and other directly attributable incremental costs of the Second Batch Shares purchased under the share award scheme in an aggregate amount of approximately RMB17.7 million were recognised in the reserve of the Company. As at 30 June 2012, all of the First Batch Shares held under the share award scheme have been allocated to selected employees. The Second Batch Shares will be allocated to selected employees in a three-year period commencing from 2013.

PROSPECTS

The Chinese Government has adopted various measures including but not limited to reducing interest rates, accelerating infrastructure projects and monetary easing to support economic growth. The Group is cautiously optimistic about a gradual rebound of economic activities in the future.

With the slowly recovering yet uncertain economic environment ahead, Xingda will leverage its competitive advantage of a strong financial position while enhancing its cost structure. The Group will closely monitor its capacity expansion plan to achieve a higher utilisation rate and implement a greater scope of automation to enhance production efficiency. Moreover, the Group will strive to maintain its leadership in the industry by solidifying its relationships with existing clients, and strengthening its brand to attract more overseas business, thereby aiming to achieve sustained growth.

The Group is positioned well to cope with the challenging global economic situation, and will adhere to its strategic plan enabling it to grasp domestic and global opportunities as they arise. Xingda intends to continue to exploit its competitive advantages and maintain its industry leadership in China, with the objective of becoming the world's largest tire cord manufacturer.

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 2012.

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

As at 30 June 2012, 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 2012
Liu Jinlan	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	567,666,000	37.23%
Liu Xiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 2)*	567,666,000	37.23%
Tao Jinxiang	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 3)*	567,666,000	37.23%
Zhang Yuxiao	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 4)*	567,666,000	37.23%
Koo Fook Sun, Louis	Beneficial owner	50,000	0.00%
William John Sharp	Beneficial owner	50,000	0.00%
Xu Chunhua	Beneficial owner	50,000	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 held 1,200,000 shares in his own name as at 30 June 2012. 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 2012, 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 held 600,000 shares in his own name as at 30 June 2012. 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 2012, 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 held 600,000 shares in his own name as at 30 June 2012. 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 2012, 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 held 575,000 shares in his own name as at 30 June 2012. 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 2012, 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.

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 2012
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.00%

Save as disclosed above, as at 30 June 2012, 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

Save for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2012 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 2012 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 2012, 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 2012
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	Beneficial owner, interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(note 1)*	566,474,000	37.15%
Lu Guangming George	Interests of controlled corporations *(note 2)*	83,187,600	5.46%
E-Star Corporation	Beneficial owner *(note 3)*	106,649,400	6.99%
COFCO (BVI) No. 88 Limited	Interest of a controlled corporation *(note 3)*	106,649,400	6.99%
COFCO (BVI) Limited	Interest of a controlled corporation *(note 3)*	106,649,400	6.99%
COFCO Corporation (formerly known as COFCO Limited)	Interest of a controlled corporation *(note 3)*	106,649,400	6.99%
Prudential plc	Interests of controlled corporations *(Note 4)*	121,935,100	8.00%
Matthews International Capital Management, LLC	Interest of a controlled corporation	77,269,000	5.07%

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

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – *CONTINUED*

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 400,000 shares in his own name as at 30 June 2012. 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 2012, 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 2012, 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 2012. 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 shown in the register of substantial shareholders maintained by the Company, E-Star Corporation held 106,649,400 shares in the Company as at 30 June 2012. 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. For the purpose of Part XV of the SFO, Prudential plc was deemed to be interested in the 121,935,100 shares in the Company held by its controlled corporations as at 30 June 2012.

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 2012 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 2012 from Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder) in respect of their respective compliance with the terms of the Non-competition Deed.

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012, except for the following:–

Code provision A.2.1 provides that the roles of chairman and chief executive 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 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.

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the term of appointment for its non-executive director and independent non-executive directors since all of them are subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Ms. Wu Xiaohui, a non-executive director, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive directors of the Company, was unable to attend the annual general meeting of the Company held on 18 May 2012 as they attended other meetings or engaged in other businesses.

In compliance with the code provisions of the Corporate Governance Code, the Company has set up the Audit Committee, the Remuneration and Management Development Committee and the Nomination Committee, and the Board has been responsible for performing the corporate governance duties as set out in the code provisions.

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 2012.

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 2012.

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.

USE OF PROCEEDS – *CONTINUED*

Up to 30 June 2012, the Group has utilised approximately HKD684 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus	Actual uses of funds up to 30 June 2012	Balance of net proceeds as at 30 June 2012
	HKD'000	*HKD'000*	*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	7,529	62,471
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	683,887	403,113

The remaining amount of approximately HKD403 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. During the six months ended 30 June 2012, all the net proceeds were utilised for enhancing the production facilities of a jointly controlled entity invested by the Group and financing the working capital.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua. The chairman of the Audit Committee is Mr. Koo Fook Sun, Louis.

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 financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2012.

By Order of the Board
XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan
Chairman

Shanghai, the PRC, 23 August 2012

Report on Review of Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the condensed consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 38, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June **2012** ***(unaudited)*** ***RMB'000***	 2011 *(unaudited)* RMB'000
Revenue	4	**2,763,721**	2,805,061
Cost of sales		**(2,195,678)**	(2,046,957)
Gross profit		**568,043**	758,104
Other income	5	**37,251**	37,066
Government grants	6	**462**	25,902
Selling and distribution expenses		**(176,699)**	(149,262)
Administrative expenses		**(101,913)**	(104,648)
Other gains, losses and expenses	7	**(36,787)**	(122,744)
Finance costs		**(57,340)**	(40,426)
Share of profit of a jointly controlled entity		**3,843**	—
Profit before taxation		**236,860**	403,992
Income tax expense	8	**(43,093)**	(64,912)
Profit and total comprehensive income for the period	9	**193,767**	339,080
Profit for the period and total comprehensive income attributable to:			
Owners of the Company		**149,297**	251,123
Non-controlling interests		**44,470**	87,957
		193,767	339,080
Earnings per share	11		
Basic (RMB fen)		**9.79**	16.47

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	NOTES	**As at 30 June 2012 *(unaudited)* *RMB'000***	As at 31 December 2011 *(audited)* *RMB'000*
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,969,539**	3,949,266
Prepaid lease payments		**241,745**	244,651
Investment properties	12	**124,000**	124,000
Interest in a jointly controlled entity		**246,607**	242,764
Deferred tax assets	16	**19,788**	15,889
Prepayment		**—**	4,000
Deposits paid for purchase of property, plant and equipment		**79,302**	45,359
		4,680,981	4,625,929
CURRENT ASSETS			
Prepaid lease payments		**5,812**	5,812
Inventories		**563,793**	671,540
Trade and other receivables	13	**3,508,965**	3,466,495
Pledged bank deposits		**79,400**	108,320
Bank balances and cash		**552,932**	730,856
		4,710,902	4,983,023
CURRENT LIABILITIES			
Trade and other payables	14	**1,171,535**	1,397,906
Amount due to a director		**48**	48
Amount due to a related company		**3,334**	2,388
Tax payable		**37,671**	58,644
Bank borrowings – due within one year	15	**1,928,000**	1,850,000
		3,140,588	3,308,986
NET CURRENT ASSETS		**1,570,314**	1,674,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,251,295**	6,299,966
NON-CURRENT LIABILITY			
Government grants		**10,000**	10,000
NET ASSETS		**6,241,295**	6,289,966
CAPITAL AND RESERVES			
Share capital	17	**150,999**	150,999
Reserves		**4,604,881**	4,698,022
Equity attributable to owners of the Company		**4,755,880**	4,849,021
Non-controlling interests		**1,485,415**	1,440,945
TOTAL EQUITY		**6,241,295**	6,289,966

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000 (note a)	**Capital contribution reserve** RMB'000 (note b)	**Statutory common reserve** RMB'000 (note c)	**Capital redemption reserve** RMB'000	**Retained earnings** RMB'000	**Shares held under share award scheme** RMB'000	**Awards share compensation reserve** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2011 (audited)	150,999	1,622,088	283,352	(130,150)	404,127	2,062	2,310,681	(10,942)	1,438	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	2,561,804	(10,942)	5,649	4,694,808	1,384,365	6,079,173
At 1 January 2012 (audited)	150,999	1,427,908	283,352	(130,150)	460,897	2,062	2,672,029	(23,284)	5,208	4,849,021	1,440,945	6,289,966
Profit for the period	–	–	–	–	–	–	149,297	–	–	149,297	44,470	193,767
Total comprehensive income for the period	–	–	–	–	–	–	149,297	–	–	149,297	44,470	193,767
Dividends recognised as distribution *(Note 10)*	–	(247,227)	–	–	–	–	–	–	–	(247,227)	–	(247,227)
Shares vested under the share award scheme	–	–	–	–	–	–	–	5,337	(5,337)	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	4,789	4,789	–	4,789
At 30 June 2012 (unaudited)	**150,999**	**1,180,681**	**283,352**	**(130,150)**	**460,897**	**2,062**	**2,821,326**	**(17,947)**	**4,660**	**4,755,880**	**1,485,415**	**6,241,295**

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 2012

	Six months ended 30 June	
	2012	2011
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Profit before taxation	**236,860**	403,992
Depreciation and amortisation	**204,956**	174,250
Impairment loss recognised in respect of property, plant and equipment *(Note 7)*	**—**	90,000
Decrease (increase) in inventories	**107,747**	(205,203)
Increase in trade and other receivables	**(57,901)**	(247,447)
(Decrease) increase in trade and other payables	**(165,367)**	90,472
Income tax paid	**(67,965)**	(76,104)
Other operating cash flows	**75,741**	39,970
	334,071	269,930
NET CASH USED IN INVESTING ACTIVITIES		
Additions to and deposit paid for purchase of property, plant and equipment	**(319,436)**	(518,610)
Withdrawl of pledged bank deposits	**28,920**	—
Interest received	**6,147**	2,079
Proceeds from disposal of property, plant and equipment	**2,898**	11,019
Placement of fixed bank deposits with original maturity more than three months	**—**	(92,600)
Purchase of land use right	**—**	(3,000)
Compensation income received	**—**	60,000
	(281,471)	(541,112)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		
New bank loans raised	**1,663,000**	1,540,000
Repayment of bank loans	**(1,585,000)**	(1,061,000)
Dividend paid	**(247,227)**	(194,181)
Interest paid	**(61,297)**	(46,413)
	(230,524)	238,406
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(177,924)**	(32,776)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**730,856**	1,146,855
CASH AND CASH EQUIVALENTS AT 30 JUNE	**552,932**	1,114,079
Represented by:		
Bank balances and cash	**552,932**	1,114,079

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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 ("RMB"), 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 International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on 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 2012 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB that are mandatorily effective for the current interim period.

The application of the amendments to 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.

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 or 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	
	2012	2011
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Sales of scrap materials	**25,391**	29,826
Interest income earned on bank balances and bank deposits	**6,147**	2,079
Sundry income	**5,713**	5,161
	37,251	37,066

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 2012 and 2011. For the six months ended 30 June 2012, no government grants where there were specific conditions attached to the grants were recognised in the consolidated statement of comprehensive income (for the six months ended 30 June 2011: RMB5,340,000 was recognised in the consolidated statement of comprehensive income when the Group fulfilled all the conditions specified in the grant notice). For the government grants that do not have any specific conditions attached, an amount of RMB462,000 (for the six months ended 30 June 2011: RMB20,562,000) was recognised in the consolidated statement of comprehensive income when the grants were received.

7. OTHER GAINS, LOSSES AND EXPENSES

	Six months ended 30 June	
	2012	2011
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Allowance for doubtful debts: trade receivables	**13,751**	800
Write-off of trade receivables	**1,680**	—
Research and development expenditure	**19,138**	13,550
Exchange (gain) loss, net	**(1,007)**	17,171
Loss on disposal of property, plant and equipment	**3,225**	1,223
Impairment loss recognised in respect of property, plant and equipment *(Note 12)*	**—**	90,000
	36,787	122,744

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
Current period	**46,992**	79,671
Deferred taxation *(Note 16)*	**(3,899)**	(14,759)
	43,093	64,912

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 Steel Tyre Cord Co., Ltd. ("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. As at 30 June 2012 and up to the date when the condensed consolidated financial statements were authorised for issue, such certificate is under renewal process and the management is of the opinion that this status will be renewed before the end of year 2012 and this preferential tax rate will continue to be obtained. As a result, the tax rate of 15% is used to calculate the amount of current and deferred taxation.

8. INCOME TAX EXPENSE – *CONTINUED*

At 30 June 2012, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB3,111 million (31 December 2011: RMB2,908 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	
	2012	2011
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**202,050**	171,404
Amortisation of prepaid lease payments	**2,906**	2,846

10. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
Final dividend paid in respect of the year ended 31 December 2011 – 20 HK cents per share (2011: final dividend paid in respect of the year ended 31 December 2010 – 15 HK cents per share)	**247,227**	194,181

No dividends were proposed during the reporting 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	
	2012	2011
	(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)	**149,297**	251,123
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,524,777**	1,524,777

There were no potential ordinary shares outstanding during the six months ended 30 June 2012 and 2011.

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 RMB6,123,000 (for the six months ended 30 June 2011: RMB12,242,000) for cash proceeds of approximately RMB2,898,000 (for the six months ended 30 June 2011: RMB11,019,000), resulting in a loss on disposal of RMB3,225,000 (for the six months ended 30 June 2011: RMB1,223,000).

In addition, the Group spent approximately RMB228,446,000 (for the six months ended 30 June 2011: RMB472,354,000) on the construction of its manufacturing plant in the PRC and acquisition of other plant and equipment in order to upgrade its manufacturing capabilities. Borrowing costs of approximately RMB3,957,000 has been capitalised in these carrying amounts during the period (for the six months ended 30 June 2011: RMB5,987,000).

No impairment loss was recognised during the six months ended 30 June 2012 (for the six months ended 30 June 2011: RMB150,000,000).

For the six months ended 30 June 2011, the amount of impairment was estimated based on the carrying amount of items of property, plant and equipment to be replaced or restored as a result of the damages, which arose from a fire which broke out in one of the Group's factories. The management submitted the claim to the insurance company and RMB60,000,000 had been received by the Group during the six months ended 30 June 2011 as compensation for loss while the net amount, representing impairment loss net of compensation received, of RMB90,000,000 was reported in other gains, losses and expenses account in the six months ended 30 June 2011.

The Group's investment properties as at 30 June 2012 were fairly valued by the directors of the Company 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 2012 (for the six months ended 30 June 2011: Nil).

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, net of allowance for doubtful debts, presented based on the invoice date and maturity date respectively at end of the reporting period:

	As at 30 June 2012 ***(unaudited)*** ***RMB'000***	As at 31 December 2011 *(audited)* *RMB'000*
Trade receivables		
0 – 90 days	**1,448,050**	1,337,084
91 – 180 days	**376,750**	188,887
181 – 360 days	**114,581**	71,514
Over 360 days	**23,982**	24,945
	1,963,363	1,622,430
Note receivables		
0 – 90 days	**559,857**	699,357
91 – 180 days	**400,599**	593,191
181 – 360 days	**176,118**	236,276
	1,136,574	1,528,824
Advance to raw materials suppliers	**340,805**	267,586
Spools	**22,421**	21,731
Other receivables and prepayments, net of allowance for doubtful debts	**45,802**	25,924
	409,028	315,241
	3,508,965	3,466,495

The Group reviewed the recoverability of long aged trade receivables on a case by case basis and an allowance for doubtful debts of approximately RMB13,751,000 (six months ended 30 June 2011: approximately RMB800,000) has been recognised for long outstanding trade receivables for the period.

14. TRADE AND OTHER PAYABLES

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

	As at 30 June 2012 **(unaudited)** **RMB'000**	As at 31 December 2011 *(audited)* *RMB'000*
Trade payables		
0 – 90 days	**324,822**	233,020
91 – 180 days	**71,834**	134,641
181 – 360 days	**28,281**	20,114
Over 360 days	**1,506**	2,259
	426,443	390,034
Note payables		
0 – 90 days	**150,000**	98,560
91 – 180 days	**247,000**	451,600
	397,000	550,160
Value-added tax payable and other tax payables	**27,974**	27,185
Accrued staff costs and pension	**115,319**	165,964
Payables for purchase of property, plant and equipment	**129,753**	190,757
Accrued interest expense	**7,023**	5,031
Accrued electricity charges	**48,802**	48,583
Others	**19,221**	20,192
	348,092	457,712
	1,171,535	1,397,906

At the end of the reporting period, the Group's pledged bank deposits were used to secure on certain note payables.

15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to RMB1,663,000,000 (for the six months ended 30 June 2011: RMB1,540,000,000). The loans carry interest at variable market rates linked to the RMB Benchmark Loan Interest Rates ranging from 5.612% to 7.930% (for the six months ended 30 June 2011: 3.383% to 6.310%) per annum and are repayable within one year. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB1,585,000,000 (for the six months ended 30 June 2011: RMB1,061,000,000) during the period.

A subsidiary has given corporate guarantees to certain banks to obtain certain of the above the bank borrowings.

At the end of the reporting period, the Group's notes receivables amounting to approximately RMB125,900,000 were used to secure on certain of the bank borrowings.

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	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*
At 1 January 2011 (audited)	(675)	9,103	5,673	—	14,101
Credit 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
Credit (charge) to profit or loss for the period	(500)	1,362	(333)	(13,500)	(12,971)
At 31 December 2011 (audited)	(1,175)	11,694	5,370	—	15,889
Credit (charge) to profit or loss for the period	—	1,836	2,063	—	3,899
At 30 June 2012 (unaudited)	**(1,175)**	**13,530**	**7,433**	**—**	**19,788**

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities as at 30 June 2012 and 31 December 2011 have been offset.

17. SHARE CAPITAL

	Number of shares	Share capital *RMB'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012 and 30 June 2012	3,000,000,000	301,410
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	1,524,776,693	150,999

18. CAPITAL COMMITMENTS

	As at 30 June 2012 *(unaudited)* *RMB'000*	As at 31 December 2011 *(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	**61,031**	61,411

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.

No shares were purchased and no shares award was granted during both periods. 1,649,999 (for the six months period ended 30 June 2011: Nil) awarded shares were vested during the period.

The awarded shares would vest in tranches of 1,666,666 shares annually over a period of 3 years. The outstanding award shares as at 30 June 2012 are 5,000,000 (31 December 2011: 6,649,999). During the period, the Group recognised total expense of approximately RMB4,789,000 (for the six months ended 30 June 2011: RMB4,211,000) 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:

Name of related party	Nature of transaction	*Note*	Six months ended 30 June **2012** **(unaudited)** ***RMB'000***	2011 *(unaudited)* *RMB'000*
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services to the Group	(a)	**1,807**	1,969

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 **2012** **(unaudited)** ***RMB'000***	2011 *(unaudited)* *RMB'000*
Salaries and other benefits	**29,079**	32,998
Retirement benefit scheme contributions	**11**	8
Share based payments	**3,846**	3,775
	32,936	36,781

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