

2014  
INTERIM REPORT



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)

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# 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

## AUDITORS

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](http://www.irasia.com/listco/hk/xingda/index.htm)

# Financial Highlights

	Six months ended 30 June		
	2014	2013	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>OPERATING RESULTS</b>			
Revenue	<b>2,817.3</b>	2,708.8	+4.0%
Gross profit	<b>664.0</b>	671.0	-1.0%
EBITDA <sup>(1)</sup>	<b>592.2</b>	613.0	-3.4%
Profit for the period	<b>282.3</b>	293.0	-3.7%
Profit attributable to owners of the Company	<b>202.0</b>	207.1	-2.5%
Earnings per share – basic (RMB fen)	<b>13.25</b>	13.58	-2.5%

	Six months ended 30 June		
	2014	2013	Change
	<i>RMB in million</i>	<i>RMB in million</i>	
<b>FINANCIAL POSITION</b>			
Total assets	<b>10,218.2</b>	9,788.0	+4.4%
Total liabilities	<b>3,453.3</b>	3,089.9	+11.8%
Net assets	<b>6,764.9</b>	6,698.1	+1.0%
Equity attributable to owners of the Company	<b>5,047.9</b>	5,025.5	+0.4%

	Six months ended 30 June		
	2014	2013	Change
<b>KEY RATIOS</b>			
Gross profit margin <sup>(2)</sup>	<b>23.6%</b>	24.8%	
EBITDA margin <sup>(3)</sup>	<b>21.0%</b>	22.6%	
Return on equity <sup>(4)</sup>	<b>4.0%</b>	4.3%	
<b>30.6.2014</b> <b>31.12.2013</b>			
Current ratio <sup>(5)</sup>	<b>1.68</b>	1.77	
Gearing ratio <sup>(6)</sup>	<b>8.6%</b>	10.4%	
Net debts to equity ratio <sup>(7)</sup>	<b>7.1%</b>	12.0%	

*Notes:*

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

# Management Discussion and Analysis

We are pleased to present the unaudited interim results of Xingda International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” or “Xingda”) for the six months ended 30 June 2014.

During the first half of 2014, the Group’s revenue increased by 4.0% to RMB2,817.3 million (first half of 2013: RMB2,708.8 million), supported by an increasing demand for radial tire cord in both domestic and overseas markets. Gross profit decreased by 1.0% to RMB664.0 million (first half of 2013: RMB671.0 million). As a result of the decline in the average selling prices of the Group’s products, gross profit margin dropped by 1.2 percentage points to 23.6% (first half of 2013: 24.8%). Profit attributable to owners of the Company decreased by 2.5% to RMB202.0 million (first half of 2013: RMB207.1 million). Basic earnings per share were RMB13.25 fen, representing a year-on-year decrease of 2.5%. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

In the wake of the global economic recovery, accompanied by sustainable economic growth in the PRC, China’s automobile and logistics industry maintained rapid growth which saw radial tires demand rebound from its low base in previous years. However, unexpected price competition started in the second quarter of 2014 has placed downward pressure on radial tire cord margins. As a result, Xingda’s profitability was inevitably affected.

In March 2014, Xingda entered into an agreement with Guizhou Tyre Co., Ltd. (“Guizhou Tyre”, stock code: 000589.SZ) for a subscription of 30 million new A shares issued by Guizhou Tyre at a final subscription price of RMB4.48 per share in cash pursuant to the Non-Public Offer. The subscription of shares has consolidated the ongoing business relationship and it is expected to improve Xingda’s investment return and create greater value for shareholders. As at 30 June 2014, the investment in Guizhou Tyre recorded an unrealized gain of approximately RMB19.5 million which was recognized as other comprehensive income for the period.

According to the China Association of Automobile Manufacturers, China’s total automobile production volume and sales has increased by 9.60% and 8.36% respectively year-on-year in the first half of 2014. Ongoing construction activities and robust tire export in China drove tire output to approximately 251 million units with a year-on-year growth rate of 10.09%, of which approximately 223 million units or approximately 88.84% were radial tires, according to the China Rubber Industry Association.

## BUSINESS REVIEW

Benefitting from China’s supportive policy towards urbanization which stimulated demand for radial tire cords, Xingda’s total sales volume enjoyed an improvement, rising by 10.9% to 290,600 tonnes in the first half of 2014. Radial tire cords, the Group’s major product, registered a 10.6% increase to 251,400 tonnes while sales volume of bead wires grew by 14.4% to 37,300 tonnes. Radial tire cords and bead wires accounted for 86.5% and 12.8% of the total sales volume of the Group respectively (first half of 2013: 86.8% and 12.4%). The sales volume of sawing wires, an important element in the manufacturing process of solar panels and cells, decreased by 9.5% to 1,900 tonnes, representing 0.7% of the Group’s total sales volume (first half of 2013: 0.8%).

More specifically, radial tire cords for trucks remained as the Group’s primary product, with sales volume recording an increase by 10.5% to 166,300 tonnes due to continuous infrastructure investment and property development in the PRC which spurred the demand for radial tire cords. Meanwhile, sales volume of radial tire cords for passenger cars achieved a growth by 10.7% to 85,100 tonnes attributable to the continuous growth of sedans in China and Xingda’s direct export sales. Sales of radial tire cords for trucks and passenger cars represented 66.1% and 33.9% of the Group’s total sales volume of radial tire cord products respectively (first half of 2013: 66.2% and 33.8%).

# Management Discussion and Analysis

## BUSINESS REVIEW – CONTINUED

### SALES VOLUME

	Six months ended 30 June		Change
	2014	2013	
	Tonnes	Tonnes	
Radial Tire Cords	<b>251,400</b>	227,400	+10.6%
– For Trucks	<b>166,300</b>	150,500	+10.5%
– For Passenger Cars	<b>85,100</b>	76,900	+10.7%
Bead Wires	<b>37,300</b>	32,600	+14.4%
Sawing Wires	<b>1,900</b>	2,100	-9.5%
Total	<b>290,600</b>	262,100	+10.9%

Xingda managed to capture the opportunity presented by Chinese government's ministimulus measures and the continuous growth of automobiles in terms of sales and numbers in China during the review period. Therefore its domestic sales volume of radial tire cords grew by 11.3% to 205,000 tonnes (first half of 2013: 184,200 tonnes), representing 81.5% of the Group's total sales volume for this product (first half of 2013: 81.0%). Xingda's global businesses have also entered a stable phase in terms of sales and geographical expansion. Its exports sales volume increased by 7.4% to 46,400 tonnes (first half of 2013: 43,200 tonnes), accounting for 18.5% of the Group's total sales volume of radial tire cord (first half of 2013: 19.0%).

In view of the growing demand, Xingda has continued to boost its production capacity of radial tire cord. As at 30 June 2014, the annual production capacity of the Jiangsu factory increased from 520,000 tonnes to 550,000 tonnes. Meanwhile, the management decided to further postpone the trial production of the new Shandong plant (with phase one production capacity of 50,000 tonnes) to next year in response to the recent market change. This expansion will raise the Group's total combined annual production capacity of radial tire cord to 600,000 tonnes in 2015 when Shandong factory commences operation. The annual production capacity of bead wire and sawing wire remained at 100,000 tonnes and 12,000 tonnes, respectively.

Following the cautious expansion of its Jiangsu factory, the Group has maintained a high overall utilization rate of 89.4% (first half of 2013: 84.1%).

As at 30 June 2014, the Group offered a wide variety of products, including 218 types of radial tire cord, 68 types of bead wire and 13 types of sawing wire.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### REVENUE

The Group's revenue breakdown by product categories is as follows:

<i>RMB in million</i>	Six months ended 30 June				
	2014	Proportion (%)	2013	Proportion (%)	Change (%)
Radial Tire Cords	<b>2,577.9</b>	<b>92</b>	2,474.9	91	+4.2
– For Trucks	<b>1,747.2</b>	<b>62</b>	1,682.0	62	+3.9
– For Passenger Cars	<b>830.7</b>	<b>30</b>	792.9	29	+4.8
Bead Wires	<b>201.8</b>	<b>7</b>	189.4	7	+6.5
Sawing Wires	<b>37.6</b>	<b>1</b>	44.5	2	-15.5
Total	<b>2,817.3</b>	<b>100</b>	2,708.8	100	+4.0

The Group's total revenue increased by 4.0% to RMB2,817.3 million (first half of 2013: RMB2,708.8 million), in which the growth was mainly driven by the replacement market growth and the increase in sales of passenger cars. Domestic and overseas markets accounted for around 80.9% and 19.1% of the Group's total sales respectively (first half of 2013: 80.5% and 19.5%).

### GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit fell by 1.0% to RMB664.0 million (first half of 2013: RMB671.0 million). Gross profit margin dropped 1.2 percentage points to 23.6% (first half of 2013: 24.8%), due to the intense market competition and strategic downward adjustment of the products' average selling price.

### OTHER INCOME

Other income decreased by 24.4% to RMB19.5 million (first half of 2013: RMB25.8 million), mainly due to the decrease in sales of scrap materials.

### GOVERNMENT GRANTS

Government grants increased by 27.6% to RMB14.8 million (first half of 2013: 11.6 million), thanks to the increase in recurring subsidies from the local government.

# Management Discussion and Analysis

## FINANCIAL REVIEW – CONTINUED

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 0.7% to RMB168.4 million (first half of 2013: RMB167.2 million). The increase was mainly attributable to an increase in transportation costs associated with higher sales volume.

### ADMINISTRATIVE EXPENSES AND OTHER LOSSES AND EXPENSES, NET

Administrative expenses increased by 3.5% to RMB133.8 million (first half of 2013: RMB129.3 million), which were mainly attributable to an increase in depreciation charges on office premises and facilities. Other losses and expenses, net maintained stable at RMB21.6 million (first half of 2013: RMB21.8 million) as an overall result of the increase in loss on disposal of property, plant and equipment and research and development expenditure which were fully offset by the reduction in impairment loss recognised on trade receivables and exchange loss.

### FINANCE COSTS

Finance costs dropped by 27.2% to RMB24.4 million (first half of 2013: RMB33.5 million). The decrease was mainly due to the drop of both average balance of bank borrowings and weight average interest rate.

### INCOME TAX

The Group's income tax charge increased by 4.0% to RMB67.9 million with an effective tax rate 19.4% (first half of 2013: RMB65.3 million and 18.2%). The increase in effective tax rate was mainly caused by an increase in deferred tax charge related to the reversal of deductible temporary difference on allowance for doubtful debts.

### NET PROFIT

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2014 decreased by 3.7% to RMB282.3 million (first half of 2013: RMB293.0 million).

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the period, there was no significant 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 expansion of production capacity, payment of dividends, purchase of investments in securities and repayment of bank loans.

Bank balances and cash including bank deposits of the Group increased by RMB108.1 million from RMB414.2 million as at 31 December 2013 to RMB522.3 million as at 30 June 2014. The increase was due to the cash generated from operating activities of RMB688.4 million exceeding the cash used in investing activities of RMB363.1 million and financing activities of RMB217.2 million.

Bank borrowings which were denominated in Renminbi were reduced by RMB136.1 million or 13.4% to RMB880.0 million as at 30 June 2014 from RMB1,016.1 million as at 31 December 2013. The bank borrowings carried interest at market rates from 5.32% to 6.00% (first half of 2013: 5.32% to 6.00%) and were repayable within one year.

# Management Discussion and Analysis

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE – CONTINUED

As at 30 June 2014, the Group's current assets increased by 6.3% to RMB5,711.1 million (31 December 2013: RMB5,373.2 million). Current liabilities increased by 12.1% to RMB3,406.9 million (31 December 2013: RMB3,039.2 million). The Group's current ratio (being defined as current assets over current liabilities) dropped to 1.68 times (31 December 2013: 1.77 times). The decrease was mainly caused by the increase in bills payables. The gearing ratio (being defined as total debts to total assets) as at 30 June 2014 was 8.6% (31 December 2013: 10.4%). The decrease in gearing ratio was mainly caused by the increase in inventories and the decrease in bank borrowings repayable within one year.

## FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, U.S. dollars and euro. Since part of the sales proceeds in U.S. dollars and euro have been used to purchase imported raw materials in the same currencies, the change in exchange rate of Renminbi had no substantial negative impact on the operating results of the Group in the first half of 2014.

Apart from certain bank and debtors' balances in HK dollars, U.S. dollars and euro, most of the assets and liabilities of the Group were denominated in Renminbi. Therefore, the Group was not exposed to significant foreign exchange risk. Exchange rate fluctuation had no material adverse impact on the operation or liquidity of the Group. Thus, the Group did not enter any financial derivative instruments to hedge against foreign exchange currency exposure during the period under review. 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 2014, capital expenditure for property, plant and equipment amounted to RMB223.1 million (first half of 2013: RMB94.4 million).

## CAPITAL COMMITMENTS

As at 30 June 2014, the Group had made a capital commitment of approximately RMB379.5 million (31 December 2013: RMB118.5 million) for acquisition of property, plant and equipment contracted for but not provided in the financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorized but not contracted as at 30 June 2014 and 31 December 2013.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2014 and 31 December 2013 respectively.

## PLEDGE OF ASSETS

As at 30 June 2014, the Group pledged bank deposits of RMB67.5 million to a bank to secure bill payables of the Group (31 December 2013: RMB34.0 million).

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENTS

On 24 March 2014, an agreement was reached between Jiangsu Xingda Steel Tyre Cord Co., Ltd., an indirectly owned subsidiary of Xingda, and Guizhou Tyre for the subscription of 30,000,000 new A shares issued by Guizhou Tyre at RMB4.48 per share in cash under a non-public offer. The subscription monies of RMB134,400,000 were satisfied by internal resources of the Group. The subscription shares represent approximately 3.8% of Guizhou Tyre's enlarged share capital.

## SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group had no significant acquisitions and disposals for the six months ended 30 June 2014 and 2013.

## HUMAN RESOURCES

As at 30 June 2014, the Group had approximately 6,700 full time employees (31 December 2013: approximately 6,800). Total staff costs including directors' remuneration for the six months ended 30 June 2014 was approximately RMB261.8 million (first half of 2013: approximately RMB231.5 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 programs for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor 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 2014, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union was RMB4.0 million (first half of 2013: RMB4.1 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 medical, personal accident and unemployment insurance policies for its employees.

In 2009, the Board adopted a share award scheme to retain elite employees and encourage them to achieve performance goals by aligning their interests to the shareholders through ownership of shares. 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 them.

# Management Discussion and Analysis

## HUMAN RESOURCES – CONTINUED

In 2010, 5,000,000 shares (the “First Batch Shares”) were purchased by the trustee on the public market. In 2011, another 5,000,000 shares (the “Second Batch Shares”) were purchased by the trustee on the public market. In 2013, 10,481,000 shares were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the “Third Batch Shares”). During the first half of 2014, the trustee further purchased 2,175,000 shares on the public market and added to the Third Batch Shares. The trustee will further buy 2,344,000 shares on the public market to make up the balance of the Third Batch Shares to 10,000,000 shares as per the Board’s approval.

During the six months ended 30 June 2014, the total consideration and other directly attributable incremental costs of the shares purchased under the share award scheme of approximately RMB5.4 million were recognized in the reserve of the Company.

As at 30 June 2014, all the First Batch Shares and two-third of the Second Batch Shares had been vested with selected employees. The remaining one-third of the Second Batch Shares and all the Third Batch Shares will be vested with selected employees in a four-year period from 2015 onwards.

## PROSPECTS

In the short run, Xingda is cautiously neutral about its outlook in the second half of 2014. The Group is well-positioned to meet the moderately increasing market demand, while it is prepared to face potential challenges as a result of the intensified price competition in the radial tire cord industry. In the long run, Xingda believes that the structural transformation in the radial tire cord industry will expedite market consolidation which will benefit Xingda as a leading global radial tire cord manufacturer.

In the first half of the year, Xingda has focused on its expansion plan in Jiangsu factory in order to meet the anticipated growth in tire demand in the short run. The Shandong plant is expected to commence production in 2015 to meet medium to long term demand. With an additional 50,000 annual production tonnes of capacity to be added by the Shandong plant next year, the Group’s annual combined production capacity of radial tire cord will reach 600,000 tonnes.

In overseas markets, Xingda will continue exploring potential business opportunities with international clients, leveraging its strong brand reputation and advanced technologies. Moreover, Xingda is confident it can secure more overseas orders for truck radial tire cord to bring a greater contribution to the Group’s future earnings.

Xingda is committed to strengthening its unique competitive advantages and differentiating itself through high product quality. The Group resolves to continue to boost its capacity to satisfy the needs derived from market expansion, while conducting research and development and enhancing its product mix to cement its leading position in both domestic and overseas markets.

### 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 2014.

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

As at 30 June 2014, 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 2014
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 ( <i>note 1</i> )	571,491,000	37.480%
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 ( <i>note 2</i> )	571,491,000	37.480%
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 ( <i>note 3</i> )	571,491,000	37.480%
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 ( <i>note 4</i> )	571,491,000	37.480%
Koo Fook Sun, Louis	Beneficial owner	118,000	0.008%
William John Sharp	Beneficial owner	118,000	0.008%
Xu Chunhua	Beneficial owner	50,000	0.003%

## Other Information

### 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 2,800,000 shares in his own name as at 30 June 2014. 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 2014, 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 1,400,000 shares in his own name as at 30 June 2014. 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 2014, 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 1,400,000 shares in his own name as at 30 June 2014. 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 2014, 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 400,000 shares in his own name as at 30 June 2014. 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 2014, 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 2014
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	100	0.000074%

Save as disclosed above, as at 30 June 2014, 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 as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2014 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 2014 are set out in note 18 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 2014, 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 2014
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)	571,491,000	37.48%
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%
JPMorgan Chase & Co.	Interests of controlled corporations (note 4)	128,880,500	8.45%
Matthews International Capital Management, LLC	Interest of a controlled corporation	121,861,000	7.99%
Franklin Templeton Investment Management Limited	Interest of a controlled corporation	87,881,000	5.76%
Franklin Templeton Investments (Asia) Limited	Interest of a controlled corporation	85,494,000	5.61%

## Other Information

### 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 1,400,000 shares in his own name as at 30 June 2014. 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 2014, 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 recorded in the register of substantial shareholders maintained by the Company, Surfmax Investments, LLC held 74,907,600 shares in the Company as at 30 June 2014. 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 2014. 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 2014, E-Star Corporation held 106,649,400 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. JPMorgan Chase & Co. owned 100% of the issued share capital of JPMorgan Chase Bank, N.A. which held 128,261,500 shares in the Company as at 30 June 2014. JPMorgan Chase & Co. owned 100% of the issued share capital of J.P. Morgan Broker-Dealer Holdings Inc, which in turn owned 100% of the issued share capital of J.P. Morgan Securities LLC, which in turn owned 100% of the issued share capital of J.P. Morgan Clearing Corp. As at 30 June 2014, J.P. Morgan Clearing Corp held 619,000 shares in the Company. For the purpose of Part XV of the SFO, JPMorgan Chase & Co. is deemed to be interested in the shares in the Company with a total number of 128,880,500 held by JPMorgan Chase Bank, N.A. and J.P. Morgan Clearing Corp respectively.

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 2014 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 2014 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 Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014, except for the following:-

Code provision A.2.1 which 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.

## Other Information

### **CORPORATE GOVERNANCE PRACTICES – CONTINUED**

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, Ms. Wu Xiaohui, since she is 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. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 23 May 2014 as they had to attend other meetings or were engaged in other businesses and commitments. However, Ms. Wu, Mr. Koo, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the non-executive Directors and independent non-executive Directors was ensured.

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 2014.

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**

Apart from the Company's shares purchased under the share award scheme of the Company as mentioned in pages 35 and 36 of this report, 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 2014.

### 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 2014, the Group has utilised approximately HKD685 million of the net proceeds and the details are as follows:

	<b>Proposed uses of fund as stated in the Prospectus</b> <i>HKD'000</i>	<b>Actual uses of funds up to 30 June 2014</b> <i>HKD'000</i>	<b>Balance of net proceeds as at 30 June 2014</b> <i>HKD'000</i>
Expansion of the production capacity of the production facilities	550,000	550,000	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	8,339	61,661
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	–
	<u>1,087,000</u>	<u>684,697</u>	<u>402,303</u>
Total			

The remaining amount of approximately HKD402 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 dated 8 December 2006 (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. As at 30 June 2014, all the net proceeds were utilised for enhancing the production facilities of a joint venture invested by the Group and financing the working capital.

## Other Information

### 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 2014.

By Order of the Board

**XINGDA INTERNATIONAL HOLDINGS LIMITED**

**Liu Jinlan**

*Chairman*

Shanghai, the PRC, 28 August 2014

# 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 20 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other 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

28 August 2014

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Revenue	4	2,817,324	2,708,820
Cost of sales		(2,153,345)	(2,037,845)
Gross profit		663,979	670,975
Other income	5	19,450	25,841
Government grants	6	14,849	11,572
Selling and distribution expenses		(168,393)	(167,209)
Administrative expenses		(133,828)	(129,289)
Other losses and expenses, net	7	(21,612)	(21,781)
Finance costs		(24,379)	(33,464)
Share of profit of a joint venture		79	1,616
Profit before taxation		350,145	358,261
Income tax expense	8	(67,865)	(65,258)
Profit for the period	9	282,280	293,003
<b>Other comprehensive income:</b>			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain on available-for-sale investment		19,500	–
Deferred tax liability on recognition on fair value gain on available-for-sale investment		(2,925)	–
Other comprehensive income for the period		16,575	–
Total comprehensive income for the period		298,855	293,003
Profit for the period attributable to:			
Owners of the Company		201,998	207,119
Non-controlling interests		80,282	85,884
		282,280	293,003
Total comprehensive income for the period attributable to:			
Owners of the Company		213,524	207,119
Non-controlling interests		85,331	85,884
		298,855	293,003
Earnings per share	11		
Basic (RMB fen)		13.25	13.58

# Condensed Consolidated Statement of Financial Position

At 30 June 2014

		As at 30 June 2014 <b>(unaudited)</b> RMB'000	As at 31 December 2013 <i>(audited)</i> RMB'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,714,931	3,713,786
Prepaid lease payments		236,121	239,027
Available-for-sale investment	19	153,900	–
Investment properties	12	133,300	133,300
Interest in a joint venture		251,011	250,932
Deferred tax assets		9,309	15,947
Prepayment		8,500	10,000
Deposits paid for purchase of property, plant and equipment		–	51,847
		<b>4,507,072</b>	4,414,839
CURRENT ASSETS			
Prepaid lease payments		5,812	5,812
Inventories		549,641	364,784
Trade and other receivables	13	2,096,586	1,982,966
Bill receivables	13	2,469,310	2,567,751
Pledged bank deposits		67,500	34,000
Amount due from a joint venture		–	3,650
Bank balances and cash		522,250	414,222
		<b>5,711,099</b>	5,373,185
CURRENT LIABILITIES			
Trade and other payables	14	1,515,073	1,434,003
Bill payables	14	951,223	496,893
Amount due to a related company		4,036	1,658
Tax payable		46,521	80,586
Bank borrowings – due within one year	15	880,000	1,016,077
Government grants		10,000	10,000
		<b>3,406,853</b>	3,039,217

# Condensed Consolidated Statement of Financial Position

At 30 June 2014

	<i>NOTES</i>	As at 30 June 2014 <b>(unaudited)</b> <i>RMB'000</i>	As at 31 December 2013 <i>(audited)</i> <i>RMB'000</i>
NET CURRENT ASSETS		<u>2,304,246</u>	<u>2,333,968</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,811,318</u>	<u>6,748,807</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		<u>46,436</u>	<u>50,685</u>
NET ASSETS		<u>6,764,882</u>	<u>6,698,122</u>
CAPITAL AND RESERVES			
Share capital	16	150,999	150,999
Reserves		<u>4,896,926</u>	<u>4,874,497</u>
Equity attributable to owners of the Company		<u>5,047,925</u>	<u>5,025,496</u>
Non-controlling interests		<u>1,716,957</u>	<u>1,672,626</u>
TOTAL EQUITY		<u>6,764,882</u>	<u>6,698,122</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

Attributable to owners of the Company

	Share capital	Share premium	Special reserve	Capital contribution reserve	Statutory common reserve	Investment revaluation reserve	Capital redemption reserve	Shares held under share award scheme	Share award scheme	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (Note 3)	RMB'000 (Note 2)	RMB'000 (Note 1)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (audited)	150,999	1,180,681	283,352	(130,150)	494,570	-	2,062	(17,948)	8,276	2,827,142	4,798,984	1,511,535	6,310,519
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	-	207,119	207,119	85,884	293,003
Dividend recognised as distribution (Note 10)	-	(185,455)	-	-	-	-	-	-	-	-	(185,455)	-	(185,455)
Purchase of shares under the share award scheme	-	-	-	-	-	-	-	(22,403)	-	-	(22,403)	-	(22,403)
Share vested under the share award scheme	-	-	-	-	-	-	-	9,387	(9,387)	-	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	12,127	-	12,127	-	12,127
At 30 June 2013 (unaudited)	150,999	995,226	283,352	(130,150)	494,570	-	2,062	(30,964)	11,016	3,034,261	4,810,372	1,597,419	6,407,791
At 1 January 2014 (audited)	150,999	995,226	283,352	(130,150)	552,511	-	2,062	(31,002)	18,487	3,184,011	5,025,496	1,672,626	6,698,122
Fair value gain on available-for-sale investment	-	-	-	-	-	13,560	-	-	-	-	13,560	5,940	19,500
Deferred tax liability on recognition on fair value gain on available-for-sale investment	-	-	-	-	-	(2,034)	-	-	-	-	(2,034)	(891)	(2,925)
Other comprehensive income for the period	-	-	-	-	-	11,526	-	-	-	-	11,526	5,049	16,575
Profit for the period	-	-	-	-	-	-	-	-	-	201,998	201,998	80,282	282,280
Total comprehensive income for the period	-	-	-	-	-	11,526	-	-	-	201,998	213,524	85,331	298,855
Dividend recognised as distribution (Note 10)	-	(191,812)	-	-	-	-	-	-	-	-	(191,812)	-	(191,812)
Dividend recognised as distribution to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(41,000)	(41,000)
Purchase of shares under the share award scheme	-	-	-	-	-	-	-	(5,423)	-	-	(5,423)	-	(5,423)
Share vested under the share award scheme	-	-	-	-	-	-	-	9,375	(9,375)	-	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	6,140	-	6,140	-	6,140
At 30 June 2014 (unaudited)	150,999	803,414	283,352	(130,150)	552,511	11,526	2,062	(27,050)	15,252	3,386,009	5,047,925	1,716,957	6,764,882

# Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30 June 2014*

*Note 1:* According to the Articles of Association of the subsidiaries, Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("JSXD"), Shanghai Xingda Steel Tyre Cord Co., Ltd. ("SHXD"), Xingda International (Shanghai) Special Cord Co., Ltd. ("XDISH") and Jiangsu Xingda Special Cord Co. Ltd. ("JSCC") 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.

*Note 2:* Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in JSXD and contribution received from shareholders.

*Note 3:* 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 JSXD at the date of acquisition.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(unaudited) RMB'000	(unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Profit before taxation	350,145	358,261
Depreciation and amortisation	217,676	221,226
Increase in inventories	(184,857)	(104,438)
Increase in trade and other receivables	(108,751)	(372,451)
(Increase) decrease in bill receivables	(77,636)	139,871
Increase (decrease) in trade and other payables	113,163	(131,938)
Increase in bills payables	454,330	554,478
Income tax paid	(102,466)	(75,322)
Purchase of shares for the purpose of share award scheme	(5,423)	(22,403)
Other operating cash flows	32,217	46,822
	<b>688,398</b>	<b>614,106</b>
NET CASH USED IN INVESTING ACTIVITIES		
Additions to and deposit paid for purchase of property, plant and equipment	(203,342)	(166,957)
Withdrawal of pledged bank deposits	34,000	58,000
Placement of pledged bank deposits	(67,500)	(123,500)
Interest received	2,793	2,755
Proceeds from disposal of property, plant and equipment	1,620	292
Decrease in amount due from a joint venture	3,650	–
Purchases of investment in securities	(134,400)	–
	<b>(363,179)</b>	<b>(229,410)</b>
NET CASH USED IN FINANCING ACTIVITIES		
New bank loans raised	730,000	1,198,000
Repayment of bank loans	(690,000)	(1,478,000)
Dividend paid	(191,812)	(185,455)
Interest paid	(24,379)	(34,296)
Dividend paid to non-controlling shareholders	(41,000)	–
	<b>(217,191)</b>	<b>(499,751)</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>108,028</b>	<b>(115,055)</b>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>414,222</b>	<b>521,441</b>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>522,250</b>	<b>406,386</b>
Represented by:		
Bank balances and cash	<b>522,250</b>	<b>406,386</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 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 of Hong Kong Limited (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 and financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

Amendments to IFRS 10, IFRS 12 and IAS 27  
Amendments to IAS 32  
Amendments to IAS 36  
Amendments to IAS 39  
IFRIC – Int 21

Investment Entities  
Offsetting Financial Assets and Financial Liabilities  
Recoverable Amount Disclosures for Non-Financial Assets  
Novation of Derivatives and Continuation of Hedge Accounting  
Levies

The application of the new interpretation and 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 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	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Sales of scrap materials	9,657	14,874
Interest income earned on bank balances and bank deposits	2,793	2,755
Sundry income	7,000	8,212
	<u>19,450</u>	<u>25,841</u>

## 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 2014 and 2013.

For the six months ended 30 June 2014 and 2013, no government grants where there were specific conditions attached to the grants were recognised in the condensed consolidated statement of profit or loss and other comprehensive income. For the government grants that do not have any specific conditions attached, an amount of RMB14,849,000 (for the six months ended 30 June 2013: RMB11,572,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income when the grants were received.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 7. OTHER LOSSES AND EXPENSES, NET

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
Allowance for doubtful debts: trade receivables	666	3,391
Write-off of trade receivables	800	800
Research and development expenditure	21,149	18,174
Exchange (gain) loss, net	(228)	1,866
Loss on disposal of property, plant and equipment	5,561	400
Recovery of doubtful debts	(6,336)	(2,850)
	<u>21,612</u>	<u>21,781</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
The charge comprises:		
Current tax		
Current period	68,401	79,090
Deferred taxation	(536)	(13,832)
	<u>67,865</u>	<u>65,258</u>

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

On 5 November 2012, Jiangsu Xingda renewed its High-tech Enterprise Certificate which expired in 2011 with the relevant authorities and received the High-tech Enterprise Certificate on 22 April 2013. In accordance with the renewed High-tech Enterprise Certificate, the status of High-tech Enterprise Certificate is effective for the years 2012, 2013 and 2014. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax for the six months ended 30 June 2014 and 2013, as well as the year ended 31 December 2013.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 8. INCOME TAX EXPENSE – CONTINUED

At 30 June 2014, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,638 million other than Jiangsu Xingda Special Cord. Co., Ltd (31 December 2013: RMB1,669 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.

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.

## 9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	214,770	218,320
Amortisation of prepaid lease payments	2,906	2,906

## 10. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend paid in respect of the year ended 31 December 2013 – 16 HK cents per share (2013: final dividend paid in respect of the year ended 31 December 2012 – 15 HK cents per share)	191,812	185,455

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 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	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>201,998</u>	<u>207,119</u>
	'000	'000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,524,777</u>	<u>1,524,777</u>

There were no potential ordinary shares outstanding during the six months ended 30 June 2014 and 2013.

## 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 RMB7,181,000 (for the six months ended 30 June 2013: RMB692,000) for cash proceeds of approximately RMB1,620,000 (for the six months ended 30 June 2013: RMB292,000), resulting in a loss on disposal of RMB5,561,000 (for the six months ended 30 June 2013: RMB400,000).

In addition, the Group spent approximately RMB223,096,000 (for the six months ended 30 June 2013: RMB94,383,000) on the construction of its manufacturing plant in the PRC and acquisition of other plant and equipment in order to upgrade its manufacturing capabilities. No borrowing costs has been capitalised in these carrying amounts during the period (for the six months ended 30 June 2013: Nil).

No impairment loss was recognised during the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES – CONTINUED

The fair value of investment properties was determined based on the investment approach, where the rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties and, where appropriate, by referencing to the sales of properties with the benefit of vacant possession taking into account the comparable evidence as available in the relevant market. The rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Shanghai and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key inputs used in valuing the investment properties were the market yield (2014 and 2013: 5%) and rental. Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2014 are as follows:

	<b>Level 3</b>	<b>Fair value as at</b>
	<b>RMB'000</b>	<b>30 June 2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Office premises located in Shanghai	<u>133,300</u>	<u>133,300</u>

There were no transfers into or out of Level 3 during the year.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 13. TRADE AND OTHER RECEIVABLES AND BILL RECEIVABLES

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

The following is an analysis of trade and bill receivables by age, net of allowance for doubtful debt, presented based on the invoice date at the end of the reporting period:

	<b>As at 30 June 2014 (unaudited) RMB'000</b>	As at 31 December 2013 (audited) RMB'000
Trade receivables		
0 – 90 days	<b>1,559,777</b>	1,619,676
91 – 120 days	<b>209,019</b>	125,143
121 – 180 days	<b>157,947</b>	132,503
181 – 360 days	<b>112,099</b>	64,409
Over 360 days	<b>4,595</b>	1,328
	<b>2,043,437</b>	1,943,059
Advance to raw materials suppliers	<b>4,116</b>	2,566
Prepayment for spools	<b>21,322</b>	16,320
Other receivables and prepayments, net of allowance for doubtful debts	<b>27,711</b>	21,021
	<b>53,149</b>	39,907
	<b>2,096,586</b>	1,982,966
Bill receivables		
0 – 90 days	<b>346,796</b>	277,485
91 – 180 days	<b>850,907</b>	1,115,427
181 – 360 days	<b>1,136,633</b>	1,127,077
Over 360 days	<b>134,974</b>	47,762
	<b>2,469,310</b>	2,567,751

The Group reviewed the recoverability of long aged trade receivables on a case by case basis and an allowance for doubtful debts of approximately RMB666,000 (six months ended 30 June 2013: approximately RMB3,391,000) has been recognised for long outstanding trade receivables for the period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 14. TRADE AND OTHER PAYABLES AND BILL PAYABLES

The following is an analysis of trade and bill payables by age, presented based on the invoice date at the end of the reporting period:

	<b>As at 30 June 2014 (unaudited) RMB'000</b>	As at 31 December 2013 (audited) RMB'000
Trade payables		
0 – 90 days	<b>991,473</b>	806,926
91 – 180 days	<b>60,959</b>	101,787
181 – 360 days	<b>21,437</b>	35,123
Over 360 days	<b>1,437</b>	3,748
	<b>1,075,306</b>	947,584
Value-added tax payable and other tax payables	<b>67,089</b>	30,188
Accrued staff costs and pension	<b>152,170</b>	206,781
Payables for purchase of property, plant and equipment	<b>135,822</b>	167,916
Accrued interest expense	<b>2,305</b>	1,376
Accrued electricity charges	<b>52,791</b>	53,617
Others	<b>29,590</b>	26,541
	<b>439,767</b>	486,419
	<b>1,515,073</b>	1,434,003
Bill payables		
0 – 90 days	<b>133,907</b>	54,807
91 – 180 days	<b>405,986</b>	229,657
181 – 360 days	<b>333,551</b>	155,916
Over 360 days	<b>77,779</b>	56,513
	<b>951,223</b>	496,893

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to RMB730,000,000 (for the six months ended 30 June 2013: RMB1,198,000,000). The loans carry interest at variable market rates linked to the RMB Benchmark Loan Interest Rates ranging from 5.32% to 6.00% (for the six months ended 30 June 2013: 5.32% to 6.00%) per annum and are repayable within one year. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB690,000,000 (for the six months ended 30 June 2013: RMB1,478,000,000) during the period.

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

## 16. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2014 and 30 June 2014	<u>3,000,000,000</u>	<u>301,410</u>
Issued and fully paid:		
At 1 January 2014 and 30 June 2014	<u>1,524,776,693</u>	<u>150,999</u>

## 17. CAPITAL COMMITMENTS

	As at 30 June 2014 <i>(unaudited)</i> RMB'000	As at 31 December 2013 <i>(audited)</i> RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>134,503</u>	<u>53,323</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 17. CAPITAL COMMITMENTS – CONTINUED

In addition to the above, the Group's share of the capital commitments of its joint venture are as follows:

	<b>As at 30 June 2014 (unaudited) RMB'000</b>	As at 31 December 2013 (audited) RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u><u>245,011</u></u>	<u><u>65,132</u></u>

## 18. 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.

The table below discloses movement in the number of awarded shares outstanding during the current interim period as follows:

	<b>Number of shares</b>
Outstanding as at 1 January 2014	16,671,000
Awarded during the period (Note 1)	–
Vested during the period (Note 2)	(1,666,666)
Vested during the period (Note 3)	<u>(1,662,334)</u>
Outstanding as at 30 June 2014	<u><u>13,342,000</u></u>

Note 1: No shares were granted during the period.

Note 2: The awarded shares were granted in 2011 and would vest in tranches of 1,666,666 shares annually over a period of 3 years from 2013 to 2015.

Note 3: The awarded shares were granted in 2013 and would vest over a period of 6 years from 2013 to 2018. In the first three years, the shares would vest in tranches of 1,666,666 shares annually while in the latter 3 years, the shares would vest in tranches of 3,333,333 shares annually.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 18. SHARE-AWARD SCHEME – CONTINUED

During the period, the Group recognised total expense of approximately RMB6,140,000 (for the six months ended 30 June 2013: RMB12,127,000) in relation to shares granted under the Scheme by the Company.

These fair value were calculated using the Binomial model. The inputs into the model were as follows:

Share price at grant date	HK\$3.48
Expected volatility	44% – 61%
Risk-free rate	0.043% – 0.460%

Expected volatility was determined by using the historical volatility of the Company's share price with similar duration in the life of the awarded shares.

The participants of the Share Award Scheme, other than the directors of the group entities, are not allowed to trade the shares granted to them by the Company in the event that the total number of shares granted multiplied by the closing market price of the Company per share for the last trading day of the Stock Exchange is less than 20% of the total amount of remuneration payable to such participant in the year of grant ("Threshold").

Such participants shall be allowed to trade in the granted shares after such shares are vested in him on the relevant vesting date when the product of (i) the total number of shares granted or to be granted in respect of such year to such participants multiplied by (ii) the market price per share is equal to or more than the Threshold, or until such other time as determined by the Remuneration Committee and approved by the Directors from time to time.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 19. FINANCIAL INSTRUMENTS

### FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair value of its financial assets.

### FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

<b>Financial assets</b>	<b>Fair value as at 30 June 2014</b>	<b>Fair value hierarchy</b>	<b>Valuation technique and key inputs</b>	<b>Relationship of unobservable Inputs to fair value</b>
Available-for-sale Investment	Listed equity securities: – in: RMB153,900,000	Level 1	Quoted bid prices in an active market	N/A

### FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS (BUT FAIR VALUE DISCLOSURES REQUIRED)

The Directors consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

There were no transfers between Level 1 and 2 in the current period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 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	
			2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Provision of hotel and catering services to the Group	(a)	<u>2,383</u>	<u>2,102</u>

Note:

- (a) Xingda Xiu Yuan is a limited liability company whose legal representative and general manager 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	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Salaries and other benefits	24,238	27,696
Retirement benefit scheme contributions	65	65
Share based payments	<u>5,495</u>	<u>12,127</u>
	<u>29,798</u>	<u>39,888</u>

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.