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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)

**INTERIM REPORT 2015**

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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

Suite 1219, 12/F., 100 QRC

100 Queen's Road Central

Central

Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China

China Construction Bank

Hang Seng Bank Limited

The Hong Kong and Shanghai Banking Corporation 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 |                       |        |
|--|--------------------------|-----------------------|--------|
|  | 2015                     | 2014                  | Change |
|  | <i>RMB in million</i>    | <i>RMB in million</i> |        |
| <b>OPERATING RESULTS</b>                     |                          |                       |        |
| Revenue                                      | <b>2,440.9</b>           | 2,817.3               | -13.4% |
| Gross profit                                 | <b>473.0</b>             | 664.0                 | -28.8% |
| EBITDA <sup>(1)</sup>                        | <b>486.6</b>             | 592.2                 | -17.8% |
| Profit for the period                        | <b>204.0</b>             | 282.3                 | -27.7% |
| Profit attributable to owners of the Company | <b>146.7</b>             | 202.0                 | -27.4% |
| Earnings per share – basic (RMB fen)         | <b>9.71</b>              | 13.25                 | -26.7% |

|  | 30.6.2015             | 31.12.2014            | Change |
|--|-----------------------|-----------------------|--------|
|  | <i>RMB in million</i> | <i>RMB in million</i> |        |
| <b>FINANCIAL POSITION</b>                    |                       |                       |        |
| Total assets                                 | <b>10,137.8</b>       | 10,125.7              | +0.1%  |
| Total liabilities                            | <b>2,981.2</b>        | 3,161.0               | -5.7%  |
| Net assets                                   | <b>7,156.6</b>        | 6,964.7               | +2.8%  |
| Equity attributable to owners of the Company | <b>5,126.1</b>        | 5,180.7               | -1.1%  |

|                                    | Six months ended 30 June |       |
|------------------------------------|--------------------------|-------|
|                                    | 2015                     | 2014  |
| <b>KEY RATIOS</b>                  |                          |       |
| Gross profit margin <sup>(2)</sup> | <b>19.4%</b>             | 23.6% |
| EBITDA margin <sup>(3)</sup>       | <b>19.9%</b>             | 21.0% |
| Return on equity <sup>(4)</sup>    | <b>2.9%</b>              | 4.0%  |

|  | 30.6.2015                    | 31.12.2014  |
|--|------------------------------|-------------|
|  | Current ratio <sup>(5)</sup> | <b>1.91</b> |
| Gearing ratio <sup>(6)</sup>             | <b>7.0%</b>                  | 8.1%        |
| Net debts to equity ratio <sup>(7)</sup> | <b>-2.2%</b>                 | 5.5%        |

### Notes:

- (1) It is arrived at profit for the period before finance costs, income tax expense, depreciation and amortisation.
- (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 2015.

During the first half of 2015, the domestic economy has maintained a stable upward trend aided by a number of policy initiatives implemented by the Chinese government, however the cool down of economic growth from trade to investment was recorded. Further consolidation of the radial tire cord industry resulted in a decline in the average selling price despite the continued elimination of excess production capacity, affecting the revenue of the Group during the period. The Group’s revenue decreased by 13.4% to RMB2,440.9 million (first half of 2014: RMB2,817.3 million). Gross profit decreased by 28.8% to RMB473.0 million (first half of 2014: RMB664.0 million). Gross profit margin dropped by 4.2 percentage points to 19.4% (first half of 2014: 23.6%). Profit attributable to owners of the Company decreased by 27.4% to RMB146.7 million (first half of 2014: RMB202.0 million). Basic earnings per share were RMB9.71 fen, representing a year-on-year decrease of 26.7%. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

As of 14 April 2015, Jiangsu Xingda Steel Type Cord Co., Ltd. (“Jiangsu Xingda”), a subsidiary of the Company, disposed of 30,000,000 A shares of Guizhou Tyre Co., Ltd. (“Guizhou Tyre”) (stock code: 000589.SZ) to an independent third party at a total consideration, after expenses, of approximately RMB266.0 million. The realized gain of approximately RMB111.9 million has been reflected in the condensed consolidated statement of profit or loss and other comprehensive income during the period.

From 1 January 2015 to the date of this report, the Company has repurchased an aggregate of 14,422,000 share on the Stock Exchange of Hong Kong at an average price of approximately HK\$2.17 per share, commanding a total consideration, before expenses, of approximately HK\$31.3 million. The share repurchase reflects the Group’s solid financial position and the Board’s strong confidence in the Group’s future business prospects.

According to the China Association of Automobile Manufacturers, the total production volume and sales of China’s trucks and passenger cars have decreased by 14.9% and 14.4% respectively year-on-year to approximately 1.77 million and 1.75 million in the first half of 2015. Besides, the output of tires in the first half of the year was 177 million units, of which approximately 159 million units were radial tires, representing a year-on-year decrease of 28.7%. The radialisation rate of tires is currently 89.8%, according to the China Rubber Industry Association. The above multiple factors have placed pressures on the development of the radial tire cord industry.

## BUSINESS REVIEW

Facing the severe operating environment and fiercer competition, Xingda’s management responded with precisely focused management measures and stronger corporate governance. As a result, Xingda maintained its industry leading position. Its total sales volume rose by 0.7% to 292,600 tonnes in the first half of 2015 and the sales volume of radial tire cords decreased by 0.1% to 251,100 tonnes, representing 85.8% of the Group’s total sales volume (first half of 2014: 86.5%). Sales volume of bead wires grew by 8.8% to 40,600 tonnes, representing 13.9% of the Group’s total sales volume (first half of 2014: 12.8%). The sales volume of sawing wires decreased by 52.6% to 900 tonnes, representing 0.3% of the Group’s total sales volume (first half of 2014: 0.7%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW – CONTINUED

In the first half of 2015, the domestic long-distance transportation activities have been affected by slower growth in China's economy, resulting in weaker demand within the truck industry which were seen both in new orders and replacement demand during the reporting period. As such, the sales volume of the Group's primary product, radial tire cords for trucks, decreased by 7.9% to 153,100 tonnes. Regarding the Group's sales volume of radial tire cord for passenger cars, an increase of 15.2% to 98,000 tonnes was recorded, which was mainly driven by the new orders from overseas customers together with the growing replacement demand of the domestic automobile tire market. Sales of radial tire cords for trucks and passenger cars represented 61.0% and 39.0% of the Group's total sales volume of radial tire cord products respectively (first half of 2014: 66.1% and 33.9%).

### Sales Volume

|                      | Six months ended 30 June |                       | Change |
|----------------------|--------------------------|-----------------------|--------|
|                      | 2015<br><i>Tonnes</i>    | 2014<br><i>Tonnes</i> |        |
| Radial Tire Cords    | <b>251,100</b>           | 251,400               | -0.1%  |
| – For Trucks         | <b>153,100</b>           | 166,300               | -7.9%  |
| – For Passenger Cars | <b>98,000</b>            | 85,100                | +15.2% |
| Bead Wires           | <b>40,600</b>            | 37,300                | +8.8%  |
| Sawing Wires         | <b>900</b>               | 1,900                 | -52.6% |
| Total                | <b>292,600</b>           | 290,600               | +0.7%  |

In the first half of 2015, Xingda's domestic sales volume of radial tire cords dropped by 5.7% to 193,300 tonnes (first half of 2014: 205,000 tonnes), representing 77.0% of the Group's total sales volume for this product (first half of 2014: 81.5%). Whilst, the overseas sales volume of radial tire cords recorded an increase by 24.6% to 57,800 tonnes (first half of 2014: 46,400 tonnes), accounting for 23.0% of the Group's total sales volume of radial tire cords (first half of 2014: 18.5%).

As at 30 June 2015, the annual production capacity of the Jiangsu factory has reached 560,000 tonnes. Meanwhile, the new Shandong plant has commenced operation in the second quarter of 2015, with annual production capacity of phase one at 50,000 tonnes. The Group's combined total annual production capacity of radial tire cords is 610,000 tonnes. The annual production capacity of bead wire and sawing wire has remained at 100,000 tonnes and 12,000 tonnes, respectively. While the new Shandong plant has commenced operation in the second quarter, the overall utilisation rate of the Group was dropped to 80.3% (first half of 2014: 89.4%).

As at 30 June 2015, the Group offered a wide variety of products, including 232 types of radial tire cord, 70 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:

| RMB in million       | Six months ended 30 June |                   |                       |                   |            |
|----------------------|--------------------------|-------------------|-----------------------|-------------------|------------|
|                      | 2015                     | Proportion (%)    | 2014                  | Proportion (%)    | Change (%) |
| Radial Tire Cords    | <b>2,228.2</b>           | <b>91</b>         | 2,577.9               | 92                | -13.6      |
| – For Trucks         | <b>1,380.1</b>           | <b>56</b>         | 1,747.2               | 62                | -21.0      |
| – For Passenger Cars | <b>848.1</b>             | <b>35</b>         | 830.7                 | 30                | +2.1       |
| Bead Wires           | <b>195.3</b>             | <b>8</b>          | 201.8                 | 7                 | -3.2       |
| Sawing Wires         | <b>17.4</b>              | <b>1</b>          | 37.6                  | 1                 | -53.7      |
| Total                | <b><u>2,440.9</u></b>    | <b><u>100</u></b> | <b><u>2,817.3</u></b> | <b><u>100</u></b> | -13.4      |

During the reporting period, in the face of intense industry competition which was leading to further industry consolidation and possible elimination of excess production capacity, the Group has continued to strategically reduce the average selling price of radial tire cord in order to maintain its leading market share. As a result, the Group's total revenue decreased by 13.4% to RMB2,440.9 million (first half of 2014: RMB2,817.3 million).

### Gross profit and gross profit margin

The Group's gross profit fell by 28.8% to RMB473.0 million (first half of 2014: RMB664.0 million). Gross profit margin dropped 4.2 percentage points to 19.4% (first half of 2014: 23.6%), due to more intense market competition and strategic downward adjustment of its average selling price.

### Other income

Other income decreased by 16.9% to RMB16.2 million (first half of 2014: RMB19.5 million), due to the decrease in sales of scrap materials was partially offset by an increase in gain on deemed disposal of a joint venture.

### Government grants

Government grants decreased by 6.1% to RMB13.9 million (first half of 2014: 14.8 million), due to the decrease in recurring subsidies from the local government.

### Gain on disposal of available-for-sale investment

The gain on disposal of available-for-sale investment amounted to RMB111.9 million in the first half of 2015 represented a gain realized on selling the above mentioned shares of Guizhou Tyre in April 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

### Selling and distribution expenses

Selling and distribution expenses increased by 2.7% to RMB173.0 million (first half of 2014: RMB168.4 million). The increase was mainly attributable to rising freight charges associated with higher export sales volume.

### Administrative expenses and other losses and expenses, net

Administrative expenses increased by 13.1% to RMB151.3 million (first half of 2014: RMB133.8 million), mainly attributable to an increase in depreciation charges on office premises and facilities. Other losses and expenses, net increased by 85.6% to RMB40.1 million (first half of 2014: RMB21.6 million) as a result of the increase in impairment loss recognised on trade receivables and research and development costs.

### Finance costs

Finance costs dropped by 13.5% to RMB21.1 million (first half of 2014: RMB24.4 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 decreased by 62.6% to RMB25.4 million (first half of 2014: RMB67.9 million). If the gain on disposal of available-for-sale investment was excluded, the profit before taxation of the Group for the six months ended 30 June 2015 would have been RMB117.6 million and the effective tax rate would become 21.6% (first half of 2014: 19.4%).

### Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2015 decreased by 27.7% to RMB204.0 million (first half of 2014: RMB282.3 million). If the gain on disposal of available-for-sale investment from non-operating activities, deferred tax charges related to provision of withholding tax 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 2015 would have been RMB95.5 million, representing a decrease of RMB195.6 million or 67.2% when compared with the same period in previous year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW – CONTINUED

### Reconciliation of report profit and underlying profit

|   | Six months ended 30 June                |   |
|---|---|---|
|   | 2015<br>( <i>unaudited</i> )<br>RMB'000 | 2014<br>( <i>unaudited</i> )<br>RMB'000 |
| Profit for the period   | 204,044                                 | 282,280                                 |
| Gain on disposal of available-for-sale investment from non-operating activities | (111,897)                               | —                                       |
| Deferred tax charges related to the provision of withholding tax                | 915                                     | 2,816                                   |
| Net exchange loss arising from non-operating activities                         | 2,444                                   | 6,005                                   |
|   | <u>          </u>                       | <u>          </u>                       |
| Underlying profit for the period  | <u>95,506</u>                           | <u>291,101</u>                          |
| Underlying profit for the period attributable to:                               |   |   |
| Owners of the Company   | 72,261                                  | 210,819                                 |
| Non-controlling interests   | 23,245                                  | 80,282                                  |
|   | <u>          </u>                       | <u>          </u>                       |
|   | <u>95,506</u>                           | <u>291,101</u>                          |

## 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 flow generated from operating activities and proceeds from disposal of available-for-sale investment whereas the principal uses of cash were expansion of production capacity, payment of dividends, repayment of bank loans and payment for repurchase of ordinary shares.

Bank balances and cash including bank deposits of the Group increased by RMB287.0 million from RMB530.9 million as at 31 December 2014 to RMB817.9 million as at 30 June 2015. The increase was due to the cash generated from operating activities of RMB600.9 million and investment activities of RMB22.5 million exceeding the cash used in financing activities of RMB336.4 million.

Bank borrowings were reduced by RMB109.9 million or 13.5% to RMB705.8 million as at 30 June 2015 from RMB815.7 million as at 31 December 2014. The bank borrowings carried interest at market rates from 1.43% to 5.70% (first half of 2014: 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 2015, the Group's current assets increased by 0.1% to RMB5,614.0 million (31 December 2014: RMB5,608.6 million). Current liabilities decreased by 5.2% to RMB2,945.4 million (31 December 2014: RMB3,107.5 million). The Group's current ratio (being defined as current assets over current liabilities) increased to 1.91 times (31 December 2014: 1.80 times). The increase was mainly caused by the increase in bank balances and cash and decrease in bank borrowings repayable within one year. The gearing ratio (being defined as total debts to total assets) as at 30 June 2015 was 7.0% (31 December 2014: 8.1%). The decrease in gearing ratio was caused by the decrease in bank borrowings repayable within one year.

## FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in renminbi, US dollars and euros. Part of the sales proceeds in US dollars and euros have been used to purchase imported raw materials in the same currencies, while the exchange rate fluctuation of renminbi did not have a significant adverse effect on the operating results of the Group in the first half of 2015.

Apart from certain bank balances, debtors' balances and bank borrowings in US dollars, euros and Hong Kong dollars, most of the assets and liabilities of the Group were denominated in renminbi. Therefore, the Group was not exposed to significant foreign exchange risk. During the period under review, exchange rate fluctuation had not caused any material adverse effect 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 is closely monitoring the impact of change in value of the renminbi on its operations and may consider appropriate hedging solutions, if required.

## CAPITAL EXPENDITURE

For the six months ended 30 June 2015, capital expenditure for property, plant and equipment amounted to RMB212.4 million (first half of 2014: RMB223.1 million).

## CAPITAL COMMITMENTS

As at 30 June 2015, the Group had made a capital commitment of approximately RMB188.2 million (31 December 2014: RMB143.5 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 authorised but not contracted as at 30 June 2015 and 31 December 2014.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2015 and 31 December 2014 respectively.

## PLEDGE OF ASSETS

As at 30 June 2015, the Group pledged bank deposits of RMB62.0 million to a bank to secure bill payables of the Group (31 December 2014: RMB8.0 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS

On 14 April 2015, Jiangsu Xingda, a subsidiary of the Company, disposed of 30,000,000 A shares of Guizhou Tyre to the Purchaser, an independent third party, for an aggregate consideration, after expenses, of approximately RMB266.0 million pursuant to an agreement entered into between Jiangsu Xingda and the Purchaser. Upon completion of the Disposal, the Group no longer holds any shares in Guizhou Tyre.

## SIGNIFICANT ACQUISITIONS AND DISPOSALS

Other than the disposal of an investment as mentioned in the above paragraph, the Group had no other significant acquisitions and disposals for the six months ended 30 June 2015 and 2014.

## HUMAN RESOURCES

As at 30 June 2015, the Group had approximately 6,200 full time employees (31 December 2014: approximately 6,500). Total staff costs including directors' remuneration for the six months ended 30 June 2015 was approximately RMB251.5 million (first half of 2014: approximately RMB261.8 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 awareness 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 2015, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union was RMB3.9 million (first half of 2014: RMB4.0 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 government 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 shares ownership. Shares are to 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”). In 2014, 4,519,000 Company’s shares were purchased by the trustee on the public market and were added to the Third Batch Shares.

As at 30 June 2015, all the First Batch Shares and the Second Batch Shares have been vested with selected employees. All the Third Batch Shares are to be vested with selected employees in a three-year period from 2016 onwards.

## PROSPECTS

To address the current challenging market landscape, the Group resolves to improve its operations internally as well as its external relations with its customers. As for internal strategies, the Group is focusing on enhancing management procedures and efficiency, broadening income sources and reducing expenditure while boosting its production efficiency. Externally, based on its solid business foundation, the Group is committed to maintaining the quality of radial tire cord products to gain the continued trust of and support from customers, and exploring new markets.

Currently, the fierce competition has suppressed product prices of radial tire cords, subsequently accounting for the industry-wide decline in gross profit margin. A consolidation of the industry has begun in which those efficient and advanced enterprises survive and the weaker ones with backward operations are on the brink of closure. Xingda due to its solid financial position stands out as an industry leader. The Group believes that the industry shakeout will favour its development in the long run. Industry consolidation should also promote a more efficient utilisation of resources while boosting product quality and production efficiency, thus creating greater scope for generating profits for the winners.

Facing the greater pressure of an economic downturn, the Chinese government has initiated a range of economic stimulus measures including several rounds of interest rate and deposit reserve ratio reductions. The government has also expedited the pace of approving and launching projects, including but not limited to railways, environmental protection and affordable housing. These measures are intended to secure steady growth with collateral macroeconomic benefits over the medium-to-long run. On the other hand, the “One Belt, One Road” strategic directive is now taking shape under the Central Government’s guidance. The geographic footprint of “One Belt, One Road” stretching across Asia to reach Europe and Africa could serve as a powerful engine to drive demand for infrastructure, thereby spurring growth in truck ownership and the domestic consumption of radial tires as well as creating scope for recovery of the radial tire cord market over the long run.

In its preparations to meet the challenges ahead, the Group believes that only those enterprises who are well-prepared and well-equipped can seize available market opportunities. The Group also believes it is well-prepared to take the lead in facilitating a new round of overall industrial development in the future after industry consolidation.

## OTHER INFORMATION

### INTERIM DIVIDEND

The board of directors of the Company does not recommend for the payment of interim dividend for the six months ended 30 June 2015.

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

As at 30 June 2015, 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 2015 |
|---------------------|---|---------------------------|--|
| 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> ) | 573,891,000               | 38.004%  |
| 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> ) | 573,891,000               | 38.004%  |
| 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> ) | 573,891,000               | 38.004%  |
| 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> ) | 573,891,000               | 38.004%  |
| Koo Fook Sun, Louis | Beneficial owner  | 150,000                   | 0.010%   |
| William John Sharp  | Beneficial owner  | 150,000                   | 0.010%   |
| 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:

- Mr. Liu Jinlan held 3,600,000 shares in his own name as at 30 June 2015. 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 2015, 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.
- Mr. Liu Xiang held 1,800,000 shares in his own name as at 30 June 2015. 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 2015, 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.
- Mr. Tao Jinxiang held 1,800,000 shares in his own name as at 30 June 2015. 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 2015, 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.
- Mr. Zhang Yuxiao held 800,000 shares in his own name as at 30 June 2015. 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 2015, 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                                 | Approximate   |
|------------------|------------------|--|---|---|
|                  |                  |  | ordinary shares in associated corporation | percentage of registered capital of the associated corporation as at 30 June 2015 |
| Zhang Yuxiao     | Beneficial Owner | Jiangsu Xingda Steel Tyre Cord Co., Ltd. | 100                                       | 0.000074%   |

Save as disclosed above, as at 30 June 2015, 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.

## OTHER INFORMATION

### 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, at no time during the six months ended 30 June 2015 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2015, 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 2015 |
|---|---|---------------------------|--|
| Great Trade Limited                                 | Beneficial owner  | 238,348,000               | 15.78%   |
| In-Plus Limited                                     | Beneficial owner  | 135,064,000               | 8.94%  |
| Perfect Sino Limited                                | Beneficial owner  | 111,229,000               | 7.37%  |
| 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 ( <i>note 1</i> ) | 573,891,000               | 38.00%   |
| Lu Guangming George                                 | Interests of controlled corporations ( <i>note 2</i> )  | 83,187,600                | 5.51%  |
| E-Star Corporation                                  | Beneficial owner ( <i>note 3</i> )  | 106,649,400               | 7.06%  |
| COFCO (BVI) No. 88 Limited                          | Interest of a controlled corporation ( <i>note 3</i> )  | 106,649,400               | 7.06%  |
| COFCO (BVI) Limited                                 | Interest of a controlled corporation ( <i>note 3</i> )  | 106,649,400               | 7.06%  |
| COFCO Corporation (formerly known as COFCO Limited) | Interest of a controlled corporation ( <i>note 3</i> )  | 106,649,400               | 7.06%  |

## 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 1,800,000 shares in his own name as at 30 June 2015. 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 2015, 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 2015. 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 2015. 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 2015, 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.

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 2015 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.

## OTHER INFORMATION

### DEED OF NON-COMPETITION – CONTINUED

The Company has received the declaration for the six months ended 30 June 2015 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 2015, 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.

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.

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES – CONTINUED

Code provision A.6.7 provides that independent non-executive Directors and non-executive Directors should attend general meetings. All the Directors of the Company were unable to attend the annual general meeting of the Company held on 21 May 2015 due to the flight delays of all executive Directors under adverse weather conditions and other business engagements and commitments of the independent non-executive Directors and non-executive Director. The company secretary of the Company was elected as the Chairman of the annual general meeting and the head of the investor relations department replied the questions from the shareholders attending the annual general meeting. All the Directors of the Company 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 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 2015.

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

For the six months ended 30 June 2015, the Company repurchased 5,220,000 shares through the Stock Exchange at a total consideration, before expenses, of approximately HK\$13.5 million. Such shares have been cancelled up to the date of this report. Details of repurchase are as follows:

| Month of repurchase | Number of ordinary shares repurchased | Repurchasing price for each share |                | Aggregate consideration paid |                              |
|---------------------|---------------------------------------|-----------------------------------|----------------|------------------------------|------------------------------|
|                     |                                       | Highest<br>HK\$                   | Lowest<br>HK\$ | HK\$ Million                 | Equivalent to<br>RMB Million |
| January 2015        | 5,220,000                             | 2.70                              | 2.49           | 13.5                         | 10.7                         |

Save as disclosed above, 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 2015.

## OTHER INFORMATION

### 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 2015, the Group has utilised approximately HKD688 million of the net proceeds and the details are as follows:

|   | <b>Proposed uses of<br/>fund as stated in<br/>the Prospectus</b> | <b>Actual uses of<br/>funds up to<br/>30 June 2015</b> | <b>Balance of net<br/>proceeds as at<br/>30 June 2015</b> |
|---|--|--|---|
|   | <i>HKD'000</i>   | <i>HKD'000</i>   | <i>HKD'000</i>  |
| Expansion of the production capacity of the production facilities                               | 550,000  | 550,000  | –   |
| Installation of a manufacturing execution system (MES) and logistics management system          | 70,000   | 11,681   | 58,319  |
| 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   | –   |
|   | <hr/>  | <hr/>  | <hr/>   |
| Total   | <u>1,087,000</u>   | <u>688,039</u>   | <u>398,961</u>  |

The remaining amount of approximately HKD399 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 2015, all the net proceeds were utilised for enhancing the production facilities of a subsidiary invested by the Company 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 2015.

By Order of the Board

**XINGDA INTERNATIONAL HOLDINGS LIMITED**

**Liu Jinlan**

*Chairman*

Shanghai, the PRC, 26 August 2015

# 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 21 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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

26 August 2015

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

|   | NOTES | Six months ended 30 June       |                                |
|---|-------|--------------------------------|--------------------------------|
|   |       | 2015<br>(unaudited)<br>RMB'000 | 2014<br>(unaudited)<br>RMB'000 |
| Revenue   | 4     | 2,440,909                      | 2,817,324                      |
| Cost of sales   |       | (1,967,912)                    | (2,153,345)                    |
| Gross profit  |       | 472,997                        | 663,979                        |
| Other income  | 5     | 16,230                         | 19,450                         |
| Government grants   | 6     | 13,893                         | 14,849                         |
| Gain on disposal of available-for-sale investment   |       | 111,897                        | –                              |
| Selling and distribution expenses   |       | (172,956)                      | (168,393)                      |
| Administrative expenses   |       | (151,330)                      | (133,828)                      |
| Other losses and expenses, net  | 7     | (40,129)                       | (21,612)                       |
| Share of (loss) profit of a joint venture   |       | (11)                           | 79                             |
| Finance costs   |       | (21,138)                       | (24,379)                       |
| Profit before taxation  |       | 229,453                        | 350,145                        |
| Income tax expense  | 8     | (25,409)                       | (67,865)                       |
| Profit for the period   | 9     | 204,044                        | 282,280                        |
| <b>Other comprehensive income:</b>  |       |                                |                                |
| <i>Items that may be subsequently reclassified to profit or loss:</i>                     |       |                                |                                |
| Gain on revaluation of available-for-sale investment                                      |       | 65,044                         | 19,500                         |
| Deferred tax liability on recognition on fair value gain on available-for-sale investment |       | (9,757)                        | (2,925)                        |
| Other comprehensive income for the period, net of tax                                     |       | 55,287                         | 16,575                         |
| Total comprehensive income for the period, net of tax                                     |       | 259,331                        | 298,855                        |
| Profit for the period attributable to:  |       |                                |                                |
| Owners of the Company   |       | 146,715                        | 201,998                        |
| Non-controlling interests   |       | 57,329                         | 80,282                         |
|   |       | 204,044                        | 282,280                        |
| Total comprehensive income for the period attributable to:                                |       |                                |                                |
| Owners of the Company   |       | 185,162                        | 213,524                        |
| Non-controlling interests   |       | 74,169                         | 85,331                         |
|   |       | 259,331                        | 298,855                        |
| Earnings per share  | 11    |                                |                                |
| Basic (RMB fen)   |       | 9.71                           | 13.25                          |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

|                                       | NOTES | As at<br>30 June<br>2015<br>(unaudited)<br>RMB'000 | As at<br>31 December<br>2014<br>(audited)<br>RMB'000 |
|---------------------------------------|-------|--|--|
| <b>ASSETS AND LIABILITIES</b>         |       |  |  |
| <b>NON-CURRENT ASSETS</b>             |       |  |  |
| Property, plant and equipment         | 12    | <b>4,089,880</b>                                   | 3,679,700  |
| Prepaid lease payments                |       | <b>286,347</b>                                     | 233,215  |
| Investment properties                 | 12    | <b>130,240</b>                                     | 130,240  |
| Interest in a joint venture           | 19    | –  | 250,810  |
| Available-for-sale investment         |       | –  | 201,000  |
| Deferred tax assets                   |       | <b>11,813</b>                                      | 10,493   |
| Prepayment                            |       | <b>5,500</b>                                       | 11,583   |
|                                       |       | <b>4,523,780</b>                                   | 4,517,041  |
| <b>CURRENT ASSETS</b>                 |       |  |  |
| Prepaid lease payments                |       | <b>6,979</b>                                       | 5,812  |
| Inventories                           |       | <b>534,012</b>                                     | 544,497  |
| Trade and other receivables           | 13    | <b>2,158,710</b>                                   | 2,026,333  |
| Bill receivables                      | 13    | <b>2,034,475</b>                                   | 2,493,087  |
| Pledged bank deposits                 |       | <b>62,000</b>                                      | 8,000  |
| Bank balances and cash                |       | <b>817,870</b>                                     | 530,910  |
|                                       |       | <b>5,614,046</b>                                   | 5,608,639  |
| <b>CURRENT LIABILITIES</b>            |       |  |  |
| Trade and other payables              | 14    | <b>1,353,841</b>                                   | 1,813,239  |
| Bill payables                         | 14    | <b>821,571</b>                                     | 418,573  |
| Amount due to a related company       |       | <b>811</b>   | 4,257  |
| Tax payable                           |       | <b>53,384</b>                                      | 45,736   |
| Bank borrowings – due within one year | 15    | <b>705,840</b>                                     | 815,690  |
| Government grants                     |       | <b>10,000</b>                                      | 10,000   |
|                                       |       | <b>2,945,447</b>                                   | 3,107,495  |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

|  | NOTES | As at<br>30 June<br>2015<br><i>(unaudited)</i><br>RMB'000 | As at<br>31 December<br>2014<br><i>(audited)</i><br>RMB'000 |
|--|-------|---|---|
| NET CURRENT ASSETS                           |       | <u>2,668,599</u>  | <u>2,501,144</u>  |
| TOTAL ASSETS LESS CURRENT LIABILITIES        |       | <u>7,192,379</u>  | <u>7,018,185</u>  |
| NON-CURRENT LIABILITY                        |       |   |   |
| Deferred tax liabilities                     |       | <u>35,784</u>   | <u>53,505</u>   |
| NET ASSETS                                   |       | <u>7,156,595</u>  | <u>6,964,680</u>  |
| CAPITAL AND RESERVES                         |       |   |   |
| Share capital                                | 16    | <u>149,838</u>  | 150,251   |
| Reserves                                     |       | <u>4,976,228</u>  | <u>5,030,489</u>  |
| Equity attributable to owners of the Company |       | <u>5,126,066</u>  | 5,180,740   |
| Non-controlling interests                    |       | <u>2,030,529</u>  | <u>1,783,940</u>  |
| TOTAL EQUITY                                 |       | <u>7,156,595</u>  | <u>6,964,680</u>  |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

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 | Awarded shares compensation reserve | Retained earnings | Total     | Non-controlling interests | Total     |
|---|---------------|---------------|-----------------|------------------------------|--------------------------|--------------------------------|----------------------------|--------------------------------------|-------------------------------------|-------------------|-----------|---------------------------|-----------|
|   | RMB'000       | RMB'000       | RMB'000         | RMB'000                      | RMB'000                  | RMB'000                        | RMB'000                    | RMB'000                              | RMB'000                             | RMB'000           | RMB'000   | RMB'000                   | RMB'000   |
|   |               |               | (Note a)        | (Note b)                     | (Note c)                 |                                |                            |                                      |                                     |                   |           |                           |           |
| 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 |
| Profit for the period   | -             | -             | -               | -                            | -                        | -                              | -                          | -                                    | -                                   | 201,998           | 201,998   | 80,282                    | 282,280   |
| Other comprehensive income for the period   | -             | -             | -               | -                            | -                        | 11,526                         | -                          | -                                    | -                                   | -                 | 11,526    | 5,049                     | 16,575    |
| 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 |
| At 1 January 2015 (audited)   | 150,251       | 783,700       | 283,352         | (130,150)                    | 598,818                  | 39,367                         | 2,810                      | (32,428)                             | 20,276                              | 3,464,744         | 5,180,740 | 1,783,940                 | 6,964,680 |
| Profit for the period   | -             | -             | -               | -                            | -                        | -                              | -                          | -                                    | -                                   | 146,715           | 146,715   | 57,329                    | 204,044   |
| Other comprehensive income for the period   | -             | -             | -               | -                            | -                        | 38,447                         | -                          | -                                    | -                                   | -                 | 38,447    | 16,840                    | 55,287    |
| Total comprehensive income for the period   | -             | -             | -               | -                            | -                        | 38,447                         | -                          | -                                    | -                                   | 146,715           | 185,162   | 74,169                    | 259,331   |
| Appropriations  | -             | -             | -               | -                            | 4,580                    | -                              | -                          | -                                    | -                                   | (4,580)           | -         | -                         | -         |
| Dividend recognised as distribution (Note 10)   | -             | (154,862)     | -               | -                            | -                        | -                              | -                          | -                                    | -                                   | -                 | (154,862) | -                         | (154,862) |
| Dividend recognised as distribution to non-controlling interests of a subsidiary  | -             | -             | -               | -                            | -                        | -                              | -                          | -                                    | -                                   | -                 | -         | (41,000)                  | (41,000)  |
| Share vested under the share award scheme   | -             | -             | -               | -                            | -                        | -                              | -                          | 9,493                                | (9,493)                             | -                 | -         | -                         | -         |
| Recognition of equity-settled share based payments  | -             | -             | -               | -                            | -                        | -                              | -                          | -                                    | 3,593                               | -                 | 3,593     | -                         | 3,593     |
| Repurchase of ordinary shares   | (413)         | (10,340)      | -               | -                            | -                        | -                              | 413                        | -                                    | -                                   | (413)             | (10,753)  | -                         | (10,753)  |
| Investment revaluation reserve released on disposal of available-for-sale investment  | -             | -             | -               | -                            | -                        | (77,814)                       | -                          | -                                    | -                                   | -                 | (77,814)  | (34,083)                  | (111,897) |
| Non-controlling interest arising on the recognition of a subsidiary previously treated as a jointly controlled entity (note 19) | -             | -             | -               | -                            | -                        | -                              | -                          | -                                    | -                                   | -                 | -         | 247,503                   | 247,503   |
| At 30 June 2015 (unaudited)   | 149,838       | 618,498       | 283,352         | (130,150)                    | 603,398                  | -                              | 3,223                      | (22,935)                             | 14,376                              | 3,606,466         | 5,126,066 | 2,030,529                 | 7,156,595 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2015*

- 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 Xinda") at date of acquisition.
- Note b:* Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.
- Note c:* According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Jiangsu Xingda Special Cord Co., Ltd., Shanghai Xingda Steel Tyre Cord Co., Ltd., Xingda International (Shanghai) Special Cord Co., Ltd. and Shandong Xingda Steel Tyre Cord Co., Ltd. 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 2015

|   | NOTE | Six months ended 30 June                |   |
|---|------|---|---|
|   |      | 2015<br>( <i>unaudited</i> )<br>RMB'000 | 2014<br>( <i>unaudited</i> )<br>RMB'000 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES                                |      |   |   |
| Profit before taxation  |      | 229,453                                 | 350,145                                 |
| Depreciation and amortisation   |      | 235,974                                 | 217,676                                 |
| Gain on disposal of available-for-sale investment                           |      | (111,897)                               | –                                       |
| Decrease (increase) in inventories  |      | 29,848                                  | (184,857)                               |
| Increase in trade and other receivables                                     |      | (125,940)                               | (108,751)                               |
| Decrease (increase) in bill receivables                                     |      | 458,612                                 | (77,636)                                |
| (Decrease) increase in trade and other payables                             |      | (494,222)                               | 113,163                                 |
| Increase in bills payables  |      | 402,998                                 | 454,330                                 |
| Income tax paid   |      | (51,008)                                | (102,466)                               |
| Purchase of shares for the purpose of share award scheme                    |      | –                                       | (5,423)                                 |
| Other operating cash flows  |      | 27,032                                  | 32,217                                  |
|   |      | <b>600,850</b>                          | <b>688,398</b>                          |
| NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES                      |      |   |   |
| Additions to and deposit paid for purchase of property, plant and equipment |      | (209,069)                               | (203,342)                               |
| Additions to prepaid lease payment  |      | (418)                                   | –                                       |
| Withdrawal of pledged bank deposits   |      | –                                       | 34,000                                  |
| Placement of pledged bank deposits  |      | (54,000)                                | (67,500)                                |
| Proceeds from disposal of available-for-sale investment                     |      | 266,044                                 | –                                       |
| Net cash inflow arising on acquisition of a subsidiary                      | 19   | 15,970                                  | –                                       |
| Interest received   |      | 2,712                                   | 2,793                                   |
| Proceeds from disposal of property, plant and equipment                     |      | 1,250                                   | 1,620                                   |
| Decrease in amount due from a related company                               |      | –                                       | 3,650                                   |
| Purchases of investment in securities                                       |      | –                                       | (134,400)                               |
|   |      | <b>22,489</b>                           | <b>(363,179)</b>                        |
| NET CASH USED IN FINANCING ACTIVITIES                                       |      |   |   |
| New bank loans raised   |      | 420,150                                 | 730,000                                 |
| Repayment of bank loans   |      | (530,000)                               | (690,000)                               |
| Dividend paid   |      | (154,862)                               | (191,812)                               |
| Dividend paid to non-controlling shareholders                               |      | (41,000)                                | (41,000)                                |
| Interest paid   |      | (19,914)                                | (24,379)                                |
| Payment for repurchase of ordinary shares                                   |      | (10,753)                                | –                                       |
|   |      | <b>(336,379)</b>                        | <b>(217,191)</b>                        |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                                   |      | <b>286,960</b>                          | <b>108,028</b>                          |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY                                      |      | <b>530,910</b>                          | <b>414,222</b>                          |
| CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash |      | <b>817,870</b>                          | <b>522,250</b>                          |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 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") which is also the functional currency of the Company and its subsidiaries (the "Group").

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 ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

## 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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements.

|                     |  |
|---------------------|--|
| Amendment to IAS 19 | Defined Benefit Plans: Employee Contribution |
| Amendments to IFRSs | Annual Improvements to IFRSs 2010-2012 Cycle |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011-2013 Cycle |

The application of the above new 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 2015

## 4. SEGMENT INFORMATION

The directors of the Company ("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 |               |
|---|--------------------------|---------------|
|   | 2015                     | 2014          |
|   | RMB'000                  | RMB'000       |
| Sales of scrap materials                                  | 2,800                    | 9,657         |
| Interest income earned on bank balances and bank deposits | 2,712                    | 2,793         |
| Gain on deemed disposal of a joint venture (note 19)      | 6,807                    | –             |
| Sundry income   | 3,911                    | 7,000         |
|   | <u>16,230</u>            | <u>19,450</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 2015 and 2014.

For the six months ended 30 June 2015 and 2014, for the government grants received in the current period where no specific conditions were attached, amounting to approximately RMB13,893,000 (for the six months ended 30 June 2014: RMB14,849,000) 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 2015

## 7. OTHER LOSSES AND EXPENSES, NET

|   | Six months ended 30 June |                      |
|---|--------------------------|----------------------|
|   | 2015                     | 2014                 |
|   | ( <i>unaudited</i> )     | ( <i>unaudited</i> ) |
|   | RMB'000                  | RMB'000              |
| Impairment loss recognised on trade receivables   | 16,950                   | 666                  |
| Write-off of trade receivables                    | 1,112                    | 800                  |
| Research and development expenditure              | 25,408                   | 21,149               |
| Exchange loss (gain), net                         | 966                      | (228)                |
| Loss on disposal of property, plant and equipment | 1,299                    | 5,561                |
| Recovery of doubtful debts                        | (5,606)                  | (6,336)              |
|   | <u>40,129</u>            | <u>21,612</u>        |

## 8. INCOME TAX EXPENSE

|                       | Six months ended 30 June |                      |
|-----------------------|--------------------------|----------------------|
|                       | 2015                     | 2014                 |
|                       | ( <i>unaudited</i> )     | ( <i>unaudited</i> ) |
|                       | RMB'000                  | RMB'000              |
| The charge comprises: |                          |                      |
| Current tax           |                          |                      |
| Current period        | 25,858                   | 68,401               |
| Deferred taxation     | (449)                    | (536)                |
|                       | <u>25,409</u>            | <u>67,865</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.

Jiangsu Xingda Steel Tyre Cord Co. Ltd. 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 2013, 2014 and 2015. 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 2015 and 2014, as well as the year ended 31 December 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 8. INCOME TAX EXPENSE – CONTINUED

At 30 June 2015, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB2,426 million other than Jiangsu Xingda Special Cord Co. Ltd.(31 December 2014: RMB2,165 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 |                |
|---|--------------------------|----------------|
|   | 2015                     | 2014           |
|   | (unaudited)              | (unaudited)    |
|   | RMB'000                  | RMB'000        |
| Depreciation of property, plant and equipment | 232,542                  | 214,770        |
| Amortisation of prepaid lease payments        | 3,432                    | 2,906          |
|   | <u>235,974</u>           | <u>217,676</u> |

## 10. DIVIDENDS

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2015                     | 2014           |
|  | (unaudited)              | (unaudited)    |
|  | RMB'000                  | RMB'000        |
| Final dividend paid in respect of the year ended<br>31 December 2014 – 13.0 HK cents per share<br>(2014: final dividend paid in respect of the year ended<br>31 December 2013 – 16.0 HK cents per share) | 154,862                  | 191,812        |
|  | <u>154,862</u>           | <u>191,812</u> |

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 2015

## 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              |                                       |
|---|---------------------------------------|---------------------------------------|
|   | 2015<br><i>(unaudited)</i><br>RMB'000 | 2014<br><i>(unaudited)</i><br>RMB'000 |
| <b>Earnings</b>   |                                       |                                       |
| Earnings for the purpose of basic earnings per share<br>(profit for the period attributable to owners of the Company) | <u>146,715</u>                        | <u>201,998</u>                        |
|   | <i>'000</i>                           | <i>'000</i>                           |
| <b>Number of shares</b>   |                                       |                                       |
| Weighted average number of ordinary shares for the purpose<br>of basic earnings per share                             | <u>1,510,455</u>                      | <u>1,524,777</u>                      |

There were no potential ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

## 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 RMB2,549,000 (for the six months ended 30 June 2014: RMB7,181,000) for cash proceeds of approximately RMB1,250,000 (for the six months ended 30 June 2014: RMB1,620,000), resulting in a loss on disposal of RMB1,299,000 (for the six months ended 30 June 2014: RMB5,561,000).

In addition, the Group spent approximately RMB212,368,000 (for the six months ended 30 June 2014: RMB223,096,000) 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 2014: Nil).

In 24 January 2015, the Group acquired Shandong Xingda Steel Tyre Cord Co. Ltd. ("Shandong Xingda") which holds property, plant and equipment located in the PRC amounted to approximately RMB432,903,000.

No impairment loss was recognised during the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 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 (2015 and 2014: 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 2015 are as follows:

|                 | <b>Level 3</b> | <b>Fair value as at</b> |
|-----------------|----------------|-------------------------|
|                 | <b>RMB'000</b> | <b>30 June 2015</b>     |
|                 |                | <b>RMB'000</b>          |
| Office premises | <u>130,240</u> | <u>130,240</u>          |

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

The office premises, which are situated on leasehold land held under medium-term leases, are located in Shanghai, the PRC.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 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<br/>30 June<br/>2015<br/>(unaudited)<br/>RMB'000</b> | As at<br>31 December<br>2014<br>(audited)<br>RMB'000 |
|---|---|--|
| Trade receivables                                       |   |  |
| 0 – 90 days   | <b>1,487,451</b>  | 1,417,477  |
| 91 – 120 days   | <b>169,436</b>  | 215,274  |
| 121 – 180 days  | <b>279,783</b>  | 214,540  |
| 181 – 360 days  | <b>170,196</b>  | 128,198  |
| Over 360 days   | <b>8,175</b>  | –  |
|   | <b>2,115,041</b>  | 1,975,489  |
| Prepayment for spools                                   | <b>17,084</b>   | 26,637   |
| Other receivables and prepayments                       | <b>26,705</b>   | 24,327   |
| Less: Allowance for doubtful debts on other receivables | <b>(120)</b>  | (120)  |
|   | <b>43,669</b>   | 50,844   |
|   | <b>2,158,710</b>  | 2,026,333  |
| Bill receivables  |   |  |
| 0 – 90 days   | <b>186,534</b>  | 278,043  |
| 91 – 180 days   | <b>533,838</b>  | 890,119  |
| 181 – 360 days  | <b>1,161,957</b>  | 1,192,080  |
| Over 360 days   | <b>152,146</b>  | 132,845  |
|   | <b>2,034,475</b>  | 2,493,087  |

The Group reviewed the recoverability of long aged trade receivables on a case by case basis and an allowance for doubtful debts of approximately RMB16,950,000 (six months ended 30 June 2014: approximately RMB666,000) 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 2015

## 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<br/>30 June<br/>2015<br/>(unaudited)<br/>RMB'000</b> | As at<br>31 December<br>2014<br>(audited)<br>RMB'000 |
|--|---|--|
| Trade payables   |   |  |
| 0 – 90 days  | <b>772,130</b>  | 828,337  |
| 91 – 180 days  | <b>100,373</b>  | 439,021  |
| 181 – 360 days   | <b>29,735</b>   | 24,446   |
| Over 360 days  | <b>4,062</b>  | 2,695  |
|  | <b>906,300</b>  | 1,294,499  |
| Value-added tax payable and other tax payables         | <b>46,110</b>   | 43,014   |
| Accrued staff costs and pension                        | <b>131,750</b>  | 202,309  |
| Payables for purchase of property, plant and equipment | <b>181,821</b>  | 178,522  |
| Accrued interest expense                               | <b>2,617</b>  | 1,393  |
| Accrued electricity charges                            | <b>51,679</b>   | 53,322   |
| Others   | <b>33,564</b>   | 40,180   |
|  | <b>447,541</b>  | 518,740  |
|  | <b>1,353,841</b>  | 1,813,239  |
| Bill payables  |   |  |
| 0 – 90 days  | <b>189,113</b>  | 76,607   |
| 91 – 180 days  | <b>284,768</b>  | 144,210  |
| 181 – 360 days   | <b>316,277</b>  | 167,584  |
| Over 360 days  | <b>31,413</b>   | 30,172   |
|  | <b>821,571</b>  | 418,573  |

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 2015

## 15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to RMB420,150,000 (for the six months ended 30 June 2014: RMB730,000,000). The loans bear interest at market rates. The proceeds were used as working capital. The Group also repaid bank borrowings amounting to RMB530,000,000 (for the six months ended 30 June 2014: RMB690,000,000) during the period.

The range of effective interest rates (which are equal to contracted interest rates) on the Group's borrowings are as follows:

|                           | <b>30 June<br/>2015</b> | 31 December<br>2014 |
|---------------------------|-------------------------|---------------------|
| Effective interest rates: |                         |                     |
| Fixed-rate borrowings     | <b>4.59%-5.70%</b>      | 5.32% to 5.70%      |
| Variable-rate borrowings  | <b>1.43%-4.59%</b>      | 1.43%               |

## 16. SHARE CAPITAL

|   | <b>Number of shares</b>          |                             | <b>Share capital</b>                |                                |
|---|----------------------------------|-----------------------------|-------------------------------------|--------------------------------|
|   | <b>30 June<br/>2015<br/>'000</b> | 31 December<br>2014<br>'000 | <b>30 June<br/>2015<br/>RMB'000</b> | 31 December<br>2014<br>RMB'000 |
| Authorised:                               |                                  |                             |                                     |                                |
| 3 billion ordinary shares of HK\$0.1 each | <b><u>3,000,000</u></b>          | <u>3,000,000</u>            | <b><u>301,410</u></b>               | <u>301,410</u>                 |
| Issued and fully paid:                    |                                  |                             |                                     |                                |
| At beginning of period                    | <b>1,515,287</b>                 | 1,524,777                   | <b>150,251</b>                      | 150,999                        |
| Repurchase of shares                      | <b>(5,220)</b>                   | (9,490)                     | <b>(413)</b>                        | (748)                          |
| At end of period                          | <b><u>1,510,067</u></b>          | <u>1,515,287</u>            | <b><u>149,838</u></b>               | <u>150,251</u>                 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 16. SHARE CAPITAL – CONTINUED

During the period ended 30 June 2015, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

|              | No. of ordinary<br>shares at<br>HK\$0.1 each<br>'000 | Price per share<br>Highest<br>Lowest<br>HK\$<br>HK\$ |      | Aggregate<br>consideration<br>paid<br>HK\$'000 | Aggregate<br>consideration<br>paid<br>equivalent to<br>RMB'000 |
|--------------|--|--|------|--|--|
| January 2015 | 5,220  | 2.70   | 2.49 | <u>13,531</u>                                  | <u>10,753</u>  |

The above shares were cancelled subsequently after their repurchase. Save as disclosed above, neither the Company nor any of the Company's subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2015.

## 17. CAPITAL COMMITMENTS

|   | As at<br>30 June<br>2015<br>(unaudited)<br>RMB'000 | As at<br>31 December<br>2014<br>(audited)<br>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>188,223</u>                                     | <u>89,283</u>  |

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

|   | As at<br>30 June<br>2015<br>(unaudited)<br>RMB'000 | As at<br>31 December<br>2014<br>(audited)<br>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>   | <u>54,195</u>  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 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 2015            | 13,342,000              |
| Awarded during the period ( <i>Note 1</i> ) | –                       |
| Vested during the period ( <i>Note 2</i> )  | (1,666,666)             |
| Vested during the period ( <i>Note 3</i> )  | (1,625,334)             |
|   | <hr/>                   |
| Outstanding as at 30 June 2015              | <u>10,050,000</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.

The Group recognised total expense of approximately RMB3,593,000 (for the six months ended 30 June 2014: RMB6,140,000) in relation to shares granted under the Scheme by the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 19. ACQUISITION OF A SUBSIDIARY

Pursuant to the revised shareholders' agreement and articles of association of Shandong Xingda dated 24 January 2015 entered into between Faith Maple International Ltd. ("Faith Maple") and the other two shareholders of Shandong Xingda, they stipulate that major operating decisions, including approvals of annual budgets and agreement entered into with any parties as well as the related parties of the shareholders with an amount equal to or more than RMB5,000,000, shall be approved by a simple majority of Shandong Xingda's board of directors. According to the composition of Shandong Xingda's board, Faith Maple is entitled to nominate 3 out of 5 directors and the other 2 shareholders are entitled to nominate one director each. Accompanied with the unchanged 51% shareholding interest in Shandong Xingda, Faith Maple has obtained the control of Shandong Xingda after the amendment of shareholders' agreement and articles of association of Shandong Xingda. Accordingly, Shandong Xingda has been derecognised as a joint venture and recognised as a subsidiary of the Company with effective from 24 January 2015.

Before 24 January 2015, all the operational and financial decisions were required unanimous consent by all directors, appointed by the shareholders. Faith Maple had accounted for Shandong Xingda as joint venture using equity method.

Shandong Xingda is principally engaged in manufacturing and distribution of radial tire cords and bead wires and this company has not commenced operation for the year ended 31 December 2014.

### Assets and liabilities recognised at the date of acquisition

|                                | <i>RMB'000</i> |
|--------------------------------|----------------|
| <b>Current assets</b>          |                |
| Prepaid lease payments         | 1,067          |
| Cash and cash equivalents      | 15,970         |
| Other receivables              | 18,893         |
| Inventories                    | 19,363         |
| <b>Non-current assets</b>      |                |
| Property, plant and equipment  | 432,903        |
| Prepaid lease payments         | 51,663         |
| <b>Current liabilities</b>     |                |
| Other payables                 | (30,301)       |
| <b>Non-current liabilities</b> |                |
| Deferred tax liabilities       | (4,449)        |
|                                | <hr/>          |
|                                | 505,109        |
|                                | <hr/> <hr/>    |

The assets and liabilities recognised at the date of acquisition were measured at fair value. The values have been arrived at on the basis of a valuation carried out on that day by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 19. ACQUISITION OF A SUBSIDIARY – CONTINUED

### Non-controlling interests

The non-controlling interest (49%) in Shandong Xingda recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to approximately RMB247,503,000.

### Goodwill arising on acquisition

|  | <i>RMB'000</i>   |
|--|------------------|
| Fair value of consideration given for controlling interest         | –                |
| Fair value of previously held interest in a joint venture          | 257,606          |
| Non-controlling interests  | 247,503          |
| Less: recognised amount of identifiable net assets acquired (100%) | <u>(505,109)</u> |
| Goodwill arising on acquisition                                    | <u>–</u>         |

### Net cash inflow arising on acquisition

|  | <i>RMB'000</i> |
|--|----------------|
| Consideration paid in cash                       | –              |
| Less: cash and cash equivalent balances acquired | <u>15,970</u>  |
|  | <u>15,970</u>  |

### Gain on deemed disposal of a joint venture

|   | <i>RMB'000</i> |
|---|----------------|
| Fair value of previously held interest in a joint venture | 257,606        |
| Carrying amount of interest in a joint venture            | (250,810)      |
| Share of loss of a joint venture                          | <u>11</u>      |
| Gain on deemed disposal of a joint venture                | <u>6,807</u>   |

### Impact of acquisition on the results of the Group

Included in the profit for the interim period is a loss of RMB4,577,000 attributable to Shandong Xingda. Revenue for the interim period includes RMB59,811,000 attributable to Shandong Xingda.

Had the acquisition of Shandong Xingda been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2015 would have been RMB2,440,909,000, and the amount of the profit for the interim period would have been RMB204,034,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 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       |                                |
|--|---|------|--------------------------------|--------------------------------|
|  |   |      | 2015<br>(unaudited)<br>RMB'000 | 2014<br>(unaudited)<br>RMB'000 |
| Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan") | Provision of hotel and catering services to the Group | (a)  | <u>1,942</u>                   | <u>2,383</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       |                                |
|---|--------------------------------|--------------------------------|
|   | 2015<br>(unaudited)<br>RMB'000 | 2014<br>(unaudited)<br>RMB'000 |
| Salaries and other benefits             | 21,625                         | 24,238                         |
| Retirement benefit scheme contributions | 66                             | 65                             |
| Share based payments                    | <u>3,116</u>                   | <u>5,495</u>                   |
|   | <u>24,807</u>                  | <u>29,798</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.