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XINGDA

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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: 01899)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014 (unaudited)	2013 (unaudited)	
	RMB in million	*RMB in million*	**CHANGE**
Revenue	**2,817.3**	2,708.8	+4.0%
Gross profit	**664.0**	671.0	-1.0%
Gross profit margin	**23.6%**	24.8%	-1.2pp
EBITDA *(Note)*	**592.2**	613.0	-3.4%
Profit attributable to owners of the Company	**202.0**	207.1	-2.5%
Earnings per share - basic (RMB fen)	**13.25**	13.58	-2.5%
	As at		
	30.6.2014 (unaudited)	31.12.2013 (audited)	
Net debts to equity ratio	**7.1%**	12.0%	-4.9pp
Gearing ratio	**8.6%**	10.4%	-1.8pp

Note: It is arrived at profit before finance costs, income tax expense, depreciation and amortisation.

INTERIM RESULTS

The board of directors (the "Board") of Xingda International Holdings Limited (the "Company") is pleased to announce the condensed consolidated financial statements of the Company and its subsidiaries (the "Group" or "Xingda") for the six months ended 30 June 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
	NOTES	**2014**	2013
		(unaudited)	(unaudited)
		RMB'000	*RMB'000*
Revenue	3	**2,817,324**	2,708,820
Cost of sales		**(2,153,345)**	(2,037,845)
Gross profit		**663,979**	670,975
Other income		**19,450**	25,841
Government grants		**14,849**	11,572
Selling and distribution expenses		**(168,393)**	(167,209)
Administrative expenses		**(133,828)**	(129,289)
Other losses and expenses, net	4	**(21,612)**	(21,781)
Finance costs		**(24,379)**	(33,464)
Share of profit of a joint venture		**79**	1,616
Profit before taxation		**350,145**	358,261
Income tax expense	5	**(67,865)**	(65,258)
Profit for the period	6	**282,280**	293,003
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain on available-for-sale investment		**19,500**	—
Deferred tax liability on recognition on fair value gain on available-for-sale investment		**(2,925)**	—
Other comprehensive income for the period		**16,575**	—
Total comprehensive income for the period		**298,855**	293,003
Profit for the period attributable to:			
Owners of the Company		**201,998**	207,119
Non-controlling interests		**80,282**	85,884
		282,280	293,003

	NOTE	Six months ended 30 June **2014** **(unaudited)** ***RMB'000***	 2013 (unaudited) *RMB'000*
Total comprehensive income for the period attributable to:			
Owners of the Company		**213,524**	207,119
Non-controlling interests		**85,331**	85,884
		298,855	293,003
Earnings per share	8		
Basic (RMB fen)		**13.25**	13.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	NOTES	As at 30 June 2014 (unaudited) *RMB'000*	As at 31 December 2013 (audited) *RMB'000*
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**3,714,931**	3,713,786
Prepaid lease payments		**236,121**	239,027
Available-for-sale investment		**153,900**	—
Investment properties		**133,300**	133,300
Interest in a joint venture		**251,011**	250,932
Deferred tax assets		**9,309**	15,947
Prepayment		**8,500**	10,000
Deposits paid for purchase of property, plant and equipment		—	51,847
		4,507,072	4,414,839
CURRENT ASSETS			
Prepaid lease payments		**5,812**	5,812
Inventories		**549,641**	364,784
Trade and other receivables	9	**2,096,586**	1,982,966
Bill receivables	9	**2,469,310**	2,567,751
Pledged bank deposits		**67,500**	34,000
Amount due from a joint venture		—	3,650
Bank balances and cash		**522,250**	414,222
		5,711,099	5,373,185
CURRENT LIABILITIES			
Trade and other payables	10	**1,515,073**	1,434,003
Bill payables	10	**951,223**	496,893
Amount due to a related company		**4,036**	1,658
Tax payable		**46,521**	80,586
Bank borrowings - due within one year		**880,000**	1,016,077
Government grants		**10,000**	10,000
		3,406,853	3,039,217
NET CURRENT ASSETS		**2,304,246**	2,333,968
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,811,318**	6,748,807
NON-CURRENT LIABILITY			
Deferred tax liabilities		**46,436**	50,685
NET ASSETS		**6,764,882**	6,698,122

	As at 30 June 2014 (unaudited) *RMB'000*	As at 31 December 2013 (audited) *RMB'000*
CAPITAL AND RESERVES		
Share capital	**150,999**	150,999
Reserves	**4,896,926**	4,874,497
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**5,047,925**	5,025,496
NON-CONTROLLING INTERESTS	**1,716,957**	1,672,626
TOTAL EQUITY	**6,764,882**	6,698,122

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

Represented by:		
Bank balances and cash	**522,250**	406,386

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS34") *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and financial instruments which are measured at fair values.

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
IFRIC - Int 21	Levies

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

3. SEGMENT INFORMATION

The Directors, being the chief operating decision maker of the Group, regularly review revenue analysis by types of products which are basically radial tire cords, bead wires and sawing wires, for the purposes of resource allocation and assessment of performance. However, other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance of the respective types of products. The Directors review the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single operating and reportable segment under IFRS 8 "Operating Segments" and accordingly no separate segment information is prepared. The Group's non-current assets (other than deferred tax assets) are located in the PRC.

4. OTHER LOSSES AND EXPENSES, NET

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

5. INCOME TAX EXPENSE

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

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

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

At 30 June 2014, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries other than Jiangsu Xingda Special Cord Co., Ltd. for which deferred tax liabilities have not been recognised was RMB1,638 million (31 December 2013: RMB1,669 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

6. PROFIT FOR THE PERIOD

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

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

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**201,998**	207,119
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic Earnings per share	**1,524,777**	1,524,777

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

9. 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:

	As at 30 June 2014	As at 31 December 2013
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Trade receivables		
0 - 90 days	**1,559,777**	1,619,676
91 - 120 days	**209,019**	125,143
121 - 180 days	**157,947**	132,503
181 - 360 days	**112,099**	64,409
Over 360 days	**4,595**	1,328
	2,043,437	1,943,059
Advance to raw materials suppliers	**4,116**	2,566
Prepayment for spools	**21,322**	16,320
Other receivables and prepayments, net of allowance for doubtful debts	**27,711**	21,021
	53,149	39,907
	2,096,586	1,982,966

Bill receivables		
0 - 90 days	**346,796**	277,485
91 - 180 days	**850,907**	1,115,427
181 - 360 days	**1,136,633**	1,127,077
Over 360 days	**134,974**	47,762
	2,469,310	2,567,751

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

10. 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:

	As at 30 June 2014 (unaudited) ***RMB'000***	As at 31 December 2013 (audited) *RMB'000*
Trade payables		
0 - 90 days	**991,473**	806,926
91 - 180 days	**60,959**	101,787
181 - 360 days	**21,437**	35,123
Over 360 days	**1,437**	3,748
	1,075,306	947,584
Value-added tax payable and other tax payables	**67,089**	30,188
Accrued staff costs and pension	**152,170**	206,781
Payables for purchase of property, plant and equipment	**135,822**	167,916
Accrued interest expense	**2,305**	1,376
Accrued electricity charges	**52,791**	53,617
Others	**29,590**	26,541
	439,767	486,419
	1,515,073	1,434,003

Bill payables		
0 - 90 days	**133,907**	54,807
91 - 180 days	**405,986**	229,657
181 - 360 days	**333,551**	155,916
Over 360 days	**77,779**	56,513
	951,223	496,893

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

BUSINESS REVIEW

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

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

Sales Volume

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Gross profit and gross profit margin

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

Other income

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

Government grants

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

Selling and distribution expenses

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

Administrative expenses and other losses and expenses, net

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

Finance costs

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

Income tax

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

Net profit

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

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the period, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flows generated from operating activities whereas the principal uses of cash were expansion of production capacity, payment of dividends, purchase of investments in securities and repayment of bank loans.

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

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

As at 30 June 2014, the Group's current assets increased by 6.3% to RMB5,711.1 million (31 December 2013: RMB5,373.2 million). Current liabilities increased by 12.1% to RMB3,406.9 million (31 December 2013: RMB 3,039.2 million). The Group's current ratio (being defined as current assets over current liabilities) dropped to 1.68 times (31 December 2013: 1.77 times). The decrease was mainly caused by the increase in bills payables. The gearing ratio (being defined as total debts to total assets) as at 30 June 2014 was 8.6% (31 December 2013: 10.4%). The decrease in gearing ratio was mainly caused by the increase in inventories and the decrease in bank borrowings repayable within one year.

FOREIGN EXCHANGE RISK

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

Apart from certain bank and debtors' balances in HK dollars, U.S. dollars and euro, most of the assets and liabilities of the Group were denominated in Renminbi. Therefore, the Group was not exposed to significant foreign exchange risk. Exchange rate fluctuation had no material adverse impact on the operation or liquidity of the Group. Thus, the Group did not enter any financial derivative instruments to hedge against foreign exchange currency exposure during the period under review. The Group will closely monitor the impact of change in value of the Renminbi on its operation and consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the six months ended 30 June 2014, capital expenditure for property, plant and equipment amounted to RMB223.1 million (first half of 2013: RMB94.4 million).

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

SIGNIFICANT INVESTMENTS

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

SIGNIFICANT ACQUISITIONS AND DISPOSALS

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

HUMAN RESOURCES

As at 30 June 2014, the Group had approximately 6,700 full time employees (31 December 2013: approximately 6,800). Total staff costs including directors' remuneration for the six months ended 30 June 2014 was approximately RMB261.8 million (first half of 2013: approximately RMB231.5 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labor Union. The Union Fee, together with other funds obtained by the Xingda Labor Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2014, the amount of Union Fees contributed by Jiangsu Xingda to the Xingda Labour Union was RMB4.0 million (first half of 2013: RMB4.1 million).

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

In 2009, the Board adopted a share award scheme to retain elite employees and encourage them to achieve performance goals by aligning their interests to the shareholders through ownership of shares. Shares will be purchased by the trustee in the market out of cash contributed by the Company and be held in trust for the selected employees until such shares are vested in them.

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

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

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

PROSPECTS

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

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

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

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

INTERIM DIVIDEND

The Board of directors of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2014.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014, except for the following:-

Code provision A.2.1 which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure that the Board acts in the best interest of the Company. The Company does not have the position of chief executive and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining executive Directors, the Executive Committee of the Company which has been established for determining, approving and overseeing the day-to-day control over the allocation of the Group's resources also segregates the duties of Mr. Liu Jinlan.

Code Provision A.4.1 provides that non-executive Directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the term of appointment for its non-executive Director, Ms. Wu Xiaohui, since she is subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Code provision A.6.7 provides that independent non-executive Directors and non-executive Directors should attend general meetings. Ms. Wu Xiaohui, a non-executive Director, Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 23 May 2014 as they had to attend other meetings or were engaged in other businesses and commitments. However, Ms. Wu, Mr. Koo, Mr. Sharp and Ms. Xu subsequently requested the company secretary of the Company to report to each of them on the views of the shareholders of the Company in the annual general meeting. As such, the Board considers that the development of a balanced understanding of the views of shareholders among the non-executive Directors and independent non-executive Directors was ensured.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors’ securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2014.

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

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

Apart from the Company’s shares purchased under the share award scheme of the Company as mentioned in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2014.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee of the Company together with the external auditor and the management have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2014.

By Order of the Board
XINGDA INTERNATIONAL HOLDINGS LIMITED
Liu Jinlan
Chairman

Shanghai, the PRC, 28 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. LIU Jinlan, Mr. LIU Xiang, Mr. TAO Jinxiang and Mr. ZHANG Yuxiao; the non-executive director of the Company is Ms. WU Xiaohui and the independent non-executive directors of the Company are Mr. KOO Fook Sun, Louis, Mr. William John SHARP and Ms. XU Chunhua.