

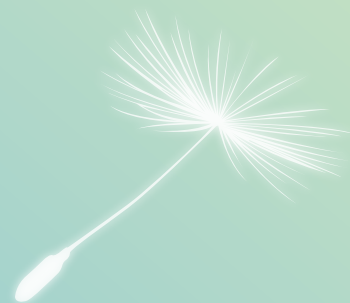


協眾國際控股有限公司

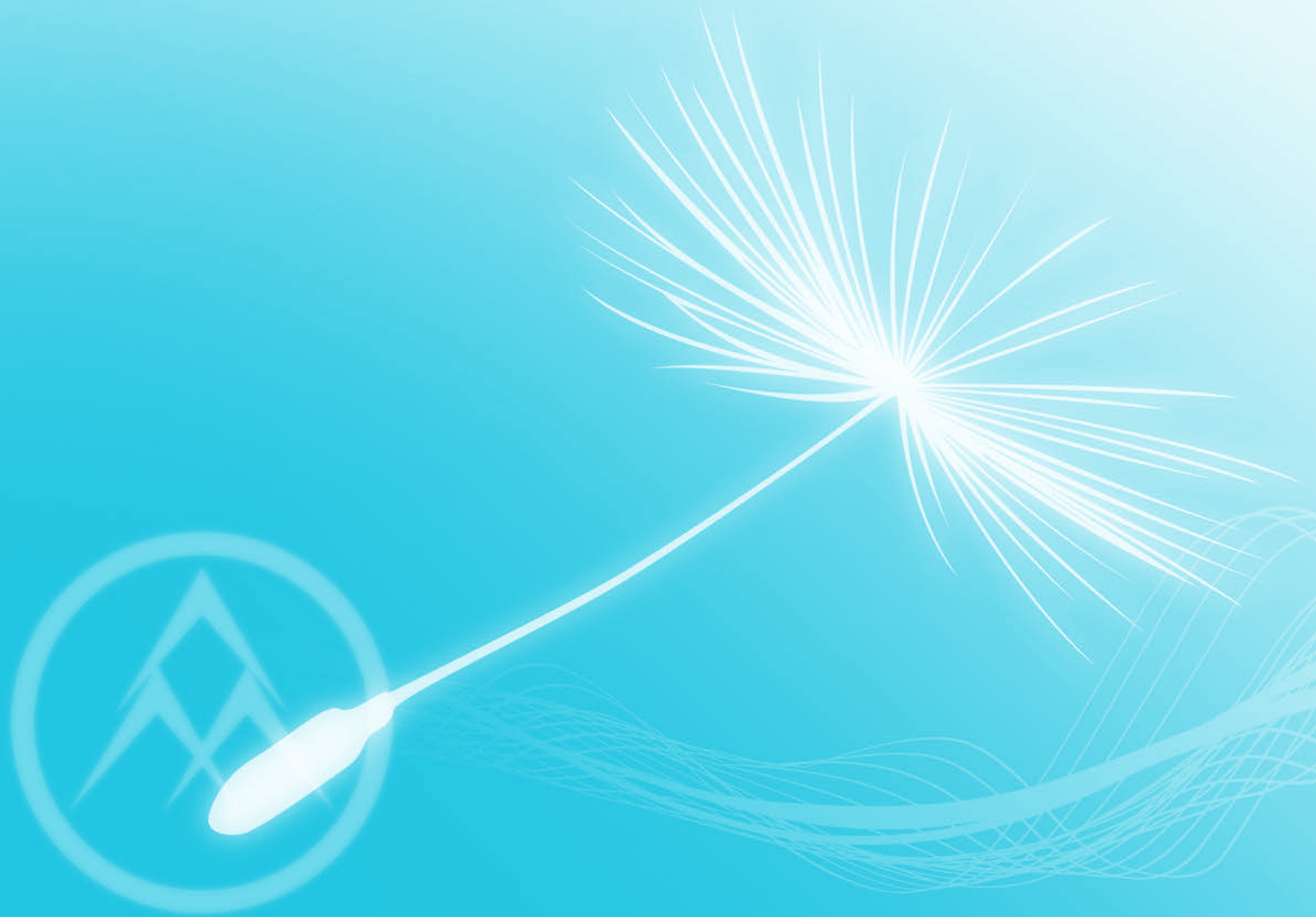
Xiezhong International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3663



INTERIM REPORT 2014



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CORPORATE INFORMATION

Board of Directors and Committees

Board of Directors

Executive Directors

Mr. Chen Cunyou (*Chairman*)

Mr. Ge Hongbing

Non-Executive Directors

Mr. Han Yonggui (*Vice Chairman*)

(appointed on 25 August 2014)

Mr. Li Xuejun (appointed on 25 August 2014)

Mr. Zhu Zhenghua (appointed on 25 August 2014)

Mr. Chen Hao (appointed on 25 August 2014)

Mr. Huang Yugang (appointed on 25 August 2014)

Mr. Fang Kenneth Hung (resigned on 30 July 2014)

Mr. Liu Xiaoping (resigned on 30 July 2014)

Mr. Wang Zhenyu (resigned on 30 July 2014)

Mr. Zhang Yichen (resigned on 30 July 2014)

Independent Non-Executive Directors

Mr. Lau Ying Kit

Mr. Cheung Man Sang

Mr. Zhang Shulin

Mr. Lin Lei (appointed on 25 August 2014)

Committees

Audit Committee

Mr. Lau Ying Kit (*Chairman*)

Mr. Cheung Man Sang

Mr. Zhang Shulin

Mr. Lin Lei (appointed on 25 August 2014)

Nomination Committee

Mr. Zhang Shulin (*Chairman*)

Mr. Lau Ying Kit

Mr. Cheung Man Sang

Mr. Lin Lei (appointed on 25 August 2014)

Remuneration Committee

Mr. Cheung Man Sang (*Chairman*)

Mr. Lau Ying Kit

Mr. Zhang Shulin

Mr. Lin Lei (appointed on 25 August 2014)

Authorised Representatives

Mr. Chen Cunyou

Mr. Dai Zumian (alternate to Chen Cunyou)

Mr. Chui Wing Fai

Other Corporate Information

Company Secretary

Mr. Chui Wing Fai, CPA

Registered Office

c/o Maples Corporate Services Limited

PO Box 309, Ugland House

Grand Cayman, KY1-1104, Cayman Islands

Principal Place of Business in Hong Kong

Room 2912, Tower 2, Times Square

1 Matheson Street

Causeway Bay, Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited

PO Box 1093

Boundary Hall Cricket Square

Grand Cayman KY1-1102

Cayman Islands

Headquarters in the PRC

389 Kening Road Science Park

Jiangning District, Nanjing

Jiangsu Province

PRC

Hong Kong Share Registrar

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong



Hong Kong Legal Advisor

Li & Partners
22/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

Auditors

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Company's Website

www.xiezhonginternational.hk

PRC Legal Advisor

Chen & Co
51/F, Shanghai World Financial Center
100 Century Avenue, Shanghai
PRC

Principal Bankers

Construction Bank of Nanjing
Jiangning Economic Development Zone Branch
China Merchants Bank
Agricultural Bank of China, Jiulonghu Branch
DBS Bank Ltd, Hong Kong Branch

Stock Code

3663

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is one of the leading suppliers of HVAC systems for vehicles. We principally engage in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components. Our automotive HVAC systems are mainly used in sport utility vehicles (“SUVs”), pickup trucks, sedans and heavy trucks, in addition to the supply of HVAC systems and HVAC components for construction machineries and other types of vehicles such as light trucks and buses. Currently, we have two production bases. One is located at Jiangning District, Nanjing, Jiangsu, for the manufacture of HVAC systems and HVAC components. The other production base is located at Fushun Economic Development Zone, Fushun, Liaoning, for the manufacture of HVAC systems (without installing the compressors).

According to the statistical data of 中國汽車工業協會 (China Association of Automobile Manufacturers), the number of motor vehicles manufactured and sold in the first half of 2014 were 11,783,400 units and 11,683,500 units respectively, representing a growth of 9.6% and 8.4% respectively as compared against that of the previous corresponding period. Amongst those motor vehicles, the number of passenger vehicles manufactured and sold were 9,708,500 units and 9,633,800 units respectively, representing a growth of 12.1% and 11.2% respectively as compared against that of the previous corresponding period; the number of commercial vehicles manufactured and sold were 2,074,900 units and 2,049,700 units respectively, representing a drop of 0.6% and 3.2% respectively as compared against that of the previous corresponding period. In the first half year of 2014, overall turnover of the Group got a growth through the effort of the staff as compared against that of the previous corresponding period.

During the reporting period, the Group recorded turnover of RMB369.0 million, representing a growth of 4.3% compared against that of RMB353.8 million in the previous corresponding period. The gross profit of RMB83.6 million, representing a growth of 0.6% compared against that of RMB83.1 million in the previous corresponding period. The profit attributable to equity shareholders of RMB22.8 million, representing a decrease of 29.8% compared against that of RMB32.5 million in the previous corresponding period.

In June 2014, the Group has brought in BHAP Hong Kong Investment Limited (“BHAP”), a wholly owned subsidiary of Beijing Hainanchuan Automotive Parts Company Limited (“Hainanchuan”) as its strategic investor. Hainanchuan is a subsidiary of Beijing Automotive Group Co., Ltd. (“Beijing Automotive Group”), which is one of the top five automobile groups in the PRC. The Group can further strengthen and solidify its existing business relations and cooperation with Beijing Automotive Group in the future. Besides, the Group can leverage on the experience and expertise of Beijing Automotive Group in the automobile manufacturing industry to formulate its future business development strategies and endeavor to further develop and expand the business of the Group.



Financial Review

Turnover

During the reporting period, the Group recorded turnover of RMB369.0 million, representing a growth of 4.3% compared against that of RMB353.8 million in the previous corresponding period. Such increase in turnover was mainly due to the increase in turnover from HVAC systems for heavy trucks and vans compared against that in the previous corresponding period.

	Six months ended 30 June			
	2014		2013	
	RMB'000	% of total turnover	RMB'000	% of total turnover
HVAC systems				
SUVs and pickup trucks	108,591	29.4%	127,803	36.1%
Sedans	69,295	18.8%	63,365	17.9%
Heavy trucks	63,082	17.1%	53,407	15.1%
Vans	59,117	16.0%	46,913	13.3%
Construction machineries	17,324	4.7%	25,875	7.3%
Other vehicles ⁽¹⁾	20,566	5.6%	9,044	2.6%
HVAC components⁽²⁾	31,029	8.4%	27,373	7.7%
Total	369,004	100.0%	353,780	100.0%

(1) Other vehicles mainly comprise of light trucks and buses.

(2) HVAC components mainly comprise of evaporator, condensers and other HVAC components (such as heater core, radiator, intercooler, oil cooler, HVAC hoses and HVAC housing) for all types of vehicles.

Gross profit and gross profit margin

During the reporting period, the gross profit was RMB83.6 million, representing a growth of 0.6% compared against RMB83.1 million in the previous corresponding period. The gross profit margin was 22.7% compared against 23.5% in the previous corresponding period. Such decrease was due to the soaring labor costs and the price deduction from HVAC systems for some vehicles.

Other revenue and net income

Other revenue and net income primarily include government grants and interest income, which increased to RMB6.2 million during the reporting period from RMB4.3 million in the previous corresponding period.

Distribution costs

Distribution costs increased by 23.0% or RMB3.8 million to RMB20.3 million during the reporting period from RMB16.5 million in the previous corresponding period. During the reporting period, distribution costs increased in line with the growth of turnover. On the other hand, transport costs fluctuated with the transport distance, and the percentage of turnover from the customers with long transport distance increased during the reporting period, which contributed to the extra increase of transport costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

During the reporting period, administrative expenses were RMB32.4 million, representing an increase of RMB6.6 million or 25.6% compared against that of RMB25.8 million in the previous corresponding period. Such increase during the reporting period was mainly due to the increase in depreciation costs as the research and development building was put into use during the reporting period.

Finance costs

During the reporting period, finance costs were RMB8.8 million, representing an increase of RMB4.9 million or 125.6% compared against that of RMB3.9 million in the previous corresponding period. In the reporting period, the Company used more bank loans to meet the requirement of business development, which contributed to the increase of finance costs mainly.

Income tax

During the reporting period, income tax was RMB4.6 million, representing a decrease of RMB3.7 million or 44.6% compared against that of RMB8.3 million in the previous corresponding period. Such change was due to decrease of profit before taxation as compared against that in the previous corresponding period.

Profit for the period

As a result of the foregoing, profit attributable to equity shareholders of the Company decreased by RMB9.7 million or 29.8% from RMB32.5 million in the previous corresponding period to RMB22.8 million during the reporting period.

Liquidity and Financial Resources

Inventories

As at 30 June 2014, the Group's inventory balance increased to RMB209.5 million (31 December 2013: RMB184.6 million), which was due to the higher inventory level maintained at various warehouses for the purpose of meeting the need of our customers with the increase of turnover during the reporting period.

The average inventory turnover days increased from 118 days during the twelve months ended 31 December 2013 to 125 days during the six months ended 30 June 2014, which was due to the increase in inventory balance by the end of the reporting period.

Trade debtors and bills receivable

As at 30 June 2014, the Group's trade debtors and bills receivable were RMB436.7 million (31 December 2013: RMB476.2 million), which was due to the decrease of bills receivable compared against that at the end of 2013.

The average trade debtors and bills receivable turnover days increased from 215 days during the twelve months ended 31 December 2013 to 224 days during the six months ended 30 June 2014, while without taking into account the bills receivable, the average turnover days of trade debtors increased from 136 days during the twelve months ended 31 December 2013 to 139 days during the six months ended 30 June 2014. The turnover days increased slightly compared against that for the year end of 2013.

Trade payables and bills payable

As at 30 June 2014, the Group's trade payables and bills payable were RMB343.3 million (31 December 2013: RMB301.5 million), which was due to increase in purchase of raw materials with the increase of turnover during the reporting period.



The average trade payables and bills payable turnover days increased from 152 days during the twelve months ended 31 December 2013 to 204 days during the six months ended 30 June 2014, which was due to increase in the balance of trade payables and bills payable.

Cash and deposits with banks and borrowings

As at 30 June 2014, the Group's cash and deposits with banks were RMB65.7 million (31 December 2013: RMB80.6 million). The decrease in cash flow was mainly due to the large capital expenditure during the reporting period.

As at 30 June 2014, we had outstanding bank borrowings of RMB206.7 million (31 December 2013: RMB235.2 million), all of which were short-term and intended to meet the working capital of the Group. And as at 30 June 2014, our bank borrowings carried interest rates ranging from 5.5% to 6.6% per annum.

As at 30 June 2014, the banking facilities available to us were RMB190.3 million (31 December 2013: RMB254.2 million), of which RMB188.3 million (31 December 2013: RMB224.2 million) had been utilized.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, as at 30 June 2014, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

We typically use short-term borrowings in the course of financing our business. Our policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

Gearing ratio

As at 30 June 2014, the Group's gearing ratio, calculated based on debt (including interest-bearing borrowings and bills payable) divided by the total of equity attributable to equity shareholders of the Company and debt, decreased to 21.4%, compared against 23.7% as at 31 December 2013, which was due to the decrease of bank borrowings during the reporting period.

Use of proceeds

The net proceeds of Company's listing on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2012 (the "Listing") were approximately HKD165.5 million (approximately RMB134.4 million). According to the intended usages as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 6 June 2012 (the "Prospectus"), the application of such proceeds as at 30 June 2014 was as follow:

Items	Net Proceeds (RMB million)		
	Available	Utilised	Unutilised
Expanding of Production Plants and Upgrading Existing Facilities of the Group	92.7	43.0	49.7
Funding for Research and Development	30.9	30.9	—
Working Capital and Other General Purposes	10.8	10.8	—
Total	134.4	84.7	49.7

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 30 June 2014, the Group did not incur any material contingent liabilities.

Significant investments held

During the six months ended 30 June 2014, the Group did not hold any significant investment in equity interest in any company.

Future plans for material investments or capital assets

Save as disclosed in the Company's Prospectus, the Group did not have other plans for material investments or capital assets.

Material acquisitions and disposals of subsidiaries and associated companies

During the six months ended 30 June 2014, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Capital commitments

As at 30 June 2014, the Group's capital commitments to make contracted payments amounted to RMB95.0 million (31 December 2013: RMB77.4 million). Such capital commitments were used for the purchase of property, plant and equipment. They will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Capital expenditures

During the reporting period, the Group incurred capital expenditures of RMB63.1 million (six months ended 30 June 2012: RMB101.9 million) primarily representing additions of new machineries and equipments.

Foreign exchange risk

The Group's businesses are principally operated in China and substantially all of its transactions are conducted in RMB and most of the Group's assets and liabilities are also denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than RMB. As at 30 June 2014, the Group's cash and deposits with banks balance denominated in HKD was HKD4.1 million and consequently we have foreign exchange risk exposure from conversion of amount denominated in foreign currencies as at the balance sheet date. During the six months ended 30 June 2014, the Group did not employ any financial instrument for hedging purposes.

Employees

As at 30 June 2014, the Group had 953 employees in total, which were remunerated by the Group with reference to their performance, qualifications and prevailing market conditions. During the reporting period, the Group's total expenditure in respect of staff cost was RMB34.3 million, representing 9.3% of the total turnover of the Group. The Group provided regular training to its staff to enhance their knowledge and skills.

The Board may exercise its discretion to grant share options under the share option scheme adopted by the Company on 21 May 2012 and revised on 30 May 2012 (the "Share Option Scheme") to the executive directors and employees as an incentive to their contribution to the Group. During the reporting period, no share options had been granted by the Group to the employees in accordance with the share option scheme.

Events after the reporting period

No significant event took place subsequent to 30 June 2014.



Dividends

The Board did not propose any payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

Outlook

Looking ahead, China's economy will adhere to the general tone to make progress while maintaining stability, improve the quality and efficiency of economic growth as the center, and accelerate the transformation and upgrading and structural adjustment. We expect that Chinese government will maintain a stable GDP growth, which creates better conditions for steady growth in the automotive market. Besides, domestic demand arising from urbanization and rigid demand of the auto consumption will provide a good environment for the development of automotive industry.

The Group will constantly consolidate its leading position in the Chinese market of automotive HVAC systems for SUVs, pick-up trucks, and heavy trucks, and strive to explore the market of HVAC systems for sedans. Being an integral part of the automotive industry, the market of HVAC systems for sedans is immense. On the other hand, the Chinese government released a series of policies to encourage the development of new-energy vehicles industry, which is expected to have a decent growth. The Group will strengthen the research and development ability of HVAC systems for new-energy vehicles, strive to expand the market, and try its best to become the leading supplier of HVAC systems for new-energy vehicles in China.

The Group will continuously commit itself to developing its core operation of automotive HVAC systems, thus ensuring the core competitive strength of the Group. The Group will further develop the following aspects so as to sharpen its competitive edges in the market.

1) *Research and development of products*

As always, the strong capability of research and development plays a major role in the successes of the Group. We will strive to strengthen our research and development capabilities by recruiting more talents, increasing research and development expenditure and expanding our research and development facilities. In addition, we will cement cooperation ties with universities, automotive plants, and our suppliers for air-conditioner components. Furthermore, the research and development building with a gross floor area of 15,631 square meters in Jiangning District, Nanjing City, was put into use in January 2014.

The Chinese government is planning to further accelerate the promotion of new-energy vehicles, push forward the industrial transformation of the automobile industry, and establish a long-term and stable policy regime for new-energy vehicles, which would all promote the healthy development of the new-energy automobile industry. Riding on the favorable national policies in promoting new-energy vehicles strenuously and the general development trend of the industry, the Group and Beijing Automotive Group will continue and further deepen their business relationships in the new-energy vehicles sector to carry out technical exchanges and strategic cooperation. Pursuant to the strategic cooperative agreement on HVAC systems for new-energy vehicles entered into between the Group and Beijing Automotive Group in July 2014, both parties will continue and further deepen their business relationship to develop more HVAC systems of different models as to cater the launch of new-energy vehicles models by Beijing New Energy according to the market demand and environmental standards. The Group will launch more resource to develop HVAC systems for new-energy vehicles to achieve greater progress, thus strengthen our competitive advantage.

MANAGEMENT DISCUSSION AND ANALYSIS

2) *Cost advantage*

In order to maintain our long-term competitiveness and stable profit margins, we will endeavor to maintain our cost advantages. We will improve the economic benefits through research and development of new products, optimization of the manufacturing process and efficiency by upgrading our production lines and improving the level of automation, and increasing market share.

3) *More production bases*

To further improve our service to our customers, reduce the distribution cost and strengthen our strategic co-operation with our major customers, in addition to our presence in Jiangsu Province, we intend to strengthen our current presence in Liaoning Province and Beijing City, with a view to lowering transport costs and further improve our standards for services rendered to the customers.

4) *Business expansion*

We will actively seek favorable and potential business expansion and acquisition opportunities, thus achieving long-term business growth, while further increase the Company's turnover, improve profitability, and thus maximize the returns of the Shareholders.



REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



Review report to the board of directors of Xiezhong International Holdings Limited

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 12 to 30 which comprises the consolidated balance sheet of Xiezhong International Holdings Limited as at 30 June 2014 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2014

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014 — unaudited

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Turnover	4	369,004	353,780
Cost of sales		(285,391)	(270,658)
Gross profit		83,613	83,122
Other revenue and net income	5	6,161	4,260
Distribution costs		(20,253)	(16,461)
Administrative expenses		(32,396)	(25,769)
Other operating expenses		—	(37)
Profit from operations		37,125	45,115
Finance costs	6(a)	(8,774)	(3,887)
Share of losses of joint venture		—	(186)
Profit before taxation		28,351	41,042
Income tax	7	(4,565)	(8,311)
Profit for the period		23,786	32,731
Attributable to:			
Equity shareholders of the Company		22,770	32,497
Non-controlling interests		1,016	234
Profit for the period		23,786	32,731
Earnings per share (RMB)			
Basic and diluted	8	0.028	0.041

The notes on pages 18 to 30 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014 — unaudited

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period	23,786	32,731
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside mainland China, net of nil tax	(12)	(270)
Total comprehensive income for the period	23,774	32,461
Attributable to:		
Equity shareholders of the Company	22,758	32,227
Non-controlling interests	1,016	234
Total comprehensive income for the period	23,774	32,461

The notes on pages 18 to 30 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 30 June 2014 — unaudited

		At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	9	490,251	465,746
Lease prepayments		53,339	53,961
Intangible assets		27,235	30,607
Goodwill		46,832	46,832
Non-current prepayments		48,130	38,050
Deferred tax assets		7,681	5,935
		673,468	641,131
Current assets			
Inventories	10	209,482	184,597
Trade and other receivables	11	454,898	486,054
Amounts due from a related party	18(b)	29,560	30,462
Deposits with banks	12	2,600	7,050
Cash	13	63,111	73,588
		759,651	781,751
Current liabilities			
Trade and other payables	14	377,095	345,719
Interest-bearing borrowings	15	206,687	235,213
Income tax payables		7,907	8,268
Provision		4,758	3,871
		596,447	593,071
Net current assets		163,204	188,680
Total assets less current liabilities		836,672	829,811
Non-current liabilities			
Deferred income		21,067	21,193
Deferred tax liabilities		20,174	19,267
		41,241	40,460
Net assets		795,431	789,351

The notes on pages 18 to 30 form part of this interim financial report.



CONSOLIDATED BALANCE SHEET

As at 30 June 2014 — unaudited

		At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
	Note		
Capital and reserves	16		
Share capital		6,496	6,496
Reserves		759,309	754,245
Total equity attributable to equity shareholders of the Company		765,805	760,741
Non-controlling interests		29,626	28,610
Total equity		795,431	789,351

Approved and authorised for issue by the board of directors on 29 August 2014.

Chen Cunyou
Director

Ge Hongbing
Director

The notes on pages 18 to 30 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 — unaudited

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Capital reserve	Other reserve	Exchange reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	6,496	127,863	31,535	291,546	17,919	17,591	229,963	722,913	28,120	751,033
Changes in equity for the six months ended 30 June 2013:										
Total comprehensive income	—	—	—	—	—	(270)	32,497	32,227	234	32,461
Dividends approved in respect of the previous year (note 16(a))	—	(20,680)	—	—	—	—	—	(20,680)	—	(20,680)
At 30 June 2013 and 1 July 2013	6,496	107,183	31,535	291,546	17,919	17,321	262,460	734,460	28,354	762,814
Changes in equity for the six months ended 31 December 2013:										
Total comprehensive income	—	—	—	—	—	(120)	26,401	26,281	256	26,537
Appropriation to statutory reserves	—	—	7,310	—	—	—	(7,310)	—	—	—
At 31 December 2013	6,496	107,183	38,845	291,546	17,919	17,201	281,551	760,741	28,610	789,351
At 1 January 2014	6,496	107,183	38,845	291,546	17,919	17,201	281,551	760,741	28,610	789,351
Changes in equity for the six months ended 30 June 2014:										
Total comprehensive income	—	—	—	—	—	(12)	22,770	22,758	1,016	23,774
Dividends approved in respect of the previous year (note 16(a))	—	(17,694)	—	—	—	—	—	(17,694)	—	(17,694)
At 30 June 2014	6,496	89,489	38,845	291,546	17,919	17,189	304,321	765,805	29,626	795,431

The notes on pages 18 to 30 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014 — unaudited

	Note	Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Operating activities			
Cash generated from operations		104,189	56,259
Income tax paid		(5,765)	(6,022)
Net cash generated from operating activities		98,424	50,237
Investing activities			
Payment for the purchase of property, plant and equipment		(63,066)	(101,916)
Other cash flows arising from investing activities		7,783	(3,342)
Net cash used in investing activities		(55,283)	(105,258)
Financing activities			
Proceeds from new bank loans		45,088	94,000
Repayment of bank loans		(81,000)	(50,000)
Dividends paid to equity shareholders of the Company		(17,694)	(20,680)
Net cash (used in)/generated from financing activities		(53,606)	23,320
Net decrease in cash		(10,465)	(31,701)
Cash at 1 January	13	73,588	98,354
Effect of foreign exchange rate changes		(12)	(270)
Cash at 30 June	13	63,111	66,383

The notes on pages 18 to 30 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Xiezhong International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG 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. KPMG’s independent review report to the Board of Directors is included on page 11.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company’s registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

2. Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- 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*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



2. Changes in accounting policies (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on Group's interim financial report as the Group does not have any impaired non-financial asset.

IFRIC 21, *Levies*

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3. Segment reporting

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the production and sale of automotive air-conditioners.

4. Turnover

The principal activities of the Group are manufacturing and sale of automotive heating, ventilation and cooling ("HVAC") systems and a range of automotive HVAC components.

Turnover represents the sales value of goods supplied to customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5. Other revenue and net income

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Other revenue		
Government grants	1,988	2,552
Interest income	64	470
Others	4,080	1,238
	6,132	4,260
Other net income		
Gains on disposal of property, plant and equipment	29	—
	6,161	4,260

6. Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest on bank loans	6,541	3,759
Interest on discounted bills	2,233	1,204
Less: interest expenses capitalised into property, plant and equipment	—	(1,076)
	8,774	3,887

(b) Staff costs

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	31,800	30,772
Contributions to defined contribution retirement plan	2,535	2,850
	34,335	33,622



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6. Profit before taxation (continued)

(c) Other items

		Six months ended 30 June	
		2014	2013
	Note	RMB'000	RMB'000
Amortisation			
— lease prepayments		623	628
— intangible assets		3,674	3,671
Depreciation of property, plant and equipment		21,912	14,649
Impairment losses on trade debtors		336	209
Research and development costs (other than depreciation and amortisation)		7,006	6,983
Provision for product warranties		3,309	1,338
Cost of inventories	10(b),(i)	285,391	270,658

Note:

- (i) Cost of inventories includes RMB34,574,000 (six months ended 30 June 2013: RMB31,435,000) relating to staff costs, depreciation and amortisation for the six months ended 30 June 2014, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7. Income tax

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current tax		
(Over)/under provision in respect of prior year	(15)	603
Provision for current period	5,419	7,348
	5,404	7,951
Deferred tax		
Origination and reversal of temporary differences	(839)	360
	4,565	8,311

- (i) Under the Corporate Income Tax Law of the People's Republic of China ("the PRC") (the "CIT Law") which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate unless otherwise specified.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits tax was made for the subsidiary located in Hong Kong as the subsidiary did not derive any income which was subject to Hong Kong profits tax during the six months ended 30 June 2014.

Taxation for the Group's PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable.

- (ii) Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd. ("Xiezhong Nanjing") renewed its certificate as a High and New Technology Enterprise in 2012 and it is entitled to a preferential tax rate of 15% for the three years from 2012 to 2014 pursuant to the current applicable CIT Law and its regulations.
- (iii) Under the CIT Law and its relevant regulations, dividends receivable by non-PRC resident enterprises from PRC resident enterprises for earnings accumulated beginning on 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the tax arrangement between the mainland China and Hong Kong Special Administration Region, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC resident enterprise is entitled to a reduced dividend withholding tax rate of 5%. The Group has recognised deferred tax liabilities on PRC dividend withholding tax at 5%.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity shareholders of the Company of RMB22,770,000 (six months ended 30 June 2013: RMB32,497,000) and the weighted average of 800,000,000 ordinary shares (six months ended 30 June 2013: 800,000,000 shares) in issue during the six months ended 30 June 2014.

There were no dilutive potential ordinary shares during the six months ended 30 June 2014, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. Property, plant and equipment

	2014 RMB'000	2013 RMB'000
Net book value, at 1 January	465,746	291,435
Additions	47,358	204,519
Transfer to intangible assets	(301)	—
Depreciation charge for the period/year	(21,912)	(30,150)
Disposals	(640)	(58)
At 30 June/31 December	490,251	465,746

10. Inventories

(a) Inventories in the consolidated balance sheet comprised:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Raw materials	39,537	35,890
Work in progress	18,295	21,484
Finished goods	151,650	127,223
	209,482	184,597

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	285,043	270,105
Write down of inventories	348	553
	285,391	270,658

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

11. Trade and other receivables

As of the balance sheet date, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	277,776	362,880
3 to 6 months	94,604	68,140
6 to 12 months	41,644	12,782
Over 12 months	22,638	32,391
Trade debtors and bills receivable, net of allowance for doubtful debts	436,662	476,193
Other receivables, deposits and prepayments	18,236	9,861
	454,898	486,054

Trade debtors and bills receivable are mainly due within 30 days to 180 days from the date of billing.

Transfers of financial assets

(i) *Transferred financial assets that are not derecognised in their entirety*

As at 30 June 2014, the Group discounted certain bank acceptance bills with a carrying amount of RMB18,399,000 (31 December 2013: RMB11,013,000) to banks for cash proceeds and endorsed certain bank acceptance bills with a carrying amount of RMB52,003,000 (31 December 2013: RMB44,321,000) to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as a secured borrowing.



11. Trade and other receivables (continued)

Transfers of financial assets (continued)

(ii) Transferred financial assets that are derecognised in their entirety

As at 30 June 2014, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the balance sheet date. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2014, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB52,740,000 and RMB91,062,000 (31 December 2013: RMB36,030,000 and RMB111,209,000) respectively.

12. Deposits with banks

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Pledged deposits	2,600	—
Unrestricted deposits	—	7,050
	2,600	7,050

13. Cash

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash at bank	63,032	73,553
Cash on hand	79	35
	63,111	73,588

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(Expressed in RMB unless otherwise indicated)

14. Trade and other payables

As of the balance sheet date, the ageing analysis of trade and other creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	215,533	224,716
Over 3 months but less than 6 months	105,038	55,828
Over 6 months but less than 12 months	20,806	19,363
Over 12 months	1,886	1,632
Total trade creditors and bills payable	343,263	301,539
Other payables	29,745	39,526
Other tax payable	4,087	4,654
	377,095	345,719

15. Interest-bearing borrowings

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans		
— Secured (i)	88,288	104,200
— Unsecured (ii)	100,000	120,000
Bank advances under discounted bills (iii)	18,399	11,013
	206,687	235,213



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15. Interest-bearing borrowings (continued)

- (i) At 30 June 2014, the carrying amounts of the assets of the Group secured against bank loans were analysed as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Property, plant and equipment	19,618	21,052
Lease prepayments	23,890	24,201
Trade and other receivables	13,490	30,813
Pledged deposits	2,600	—
	59,598	76,066

- (ii) Among the unsecured bank loans as at 30 June 2014, bank loans of RMB30,000,000 (31 December 2013: RMB30,000,000) were guaranteed by Mr. Chen Cunyou, the executive director of the Company and the director of Xiezhong Nanjing (see note 18(a)).
- (iii) The Group's certain discounted bank acceptance bills have been accounted for as collateralised bank advance, and the corresponding discounted bills receivable are included in "trade debtors and bills receivable" (see note 11).

16. Capital, reserves and dividends

(a) Dividends

- (i) *Dividends payable to equity shareholders attributable to the interim period*

The directors of the Company do not propose the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: HKD nil).

- (ii) *Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.028 per ordinary share (six months ended 30 June 2013: HKD0.032 per ordinary share)	17,694	20,680

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16. Capital, reserves and dividends (continued)

(b) Equity settled share-based transactions

Pursuant to a resolution of the board of directors of Xiezhong Nanjing passed on 29 October 2008, certain employees and directors of the Group were granted certain rights to acquire 30,000,000 shares of the Company from CITIC Capital China Limited ("CITIC Capital China"), Fang Brothers (China) Limited ("Fang Brothers"), CDH Cool Limited ("CDH Cool"), CDH Auto Limited ("CDH Auto") and Sunrise International Investment Management Inc. ("Sunrise International") at nil consideration under a share incentive plan adopted by Xiezhong Nanjing, among which Mr. Chen Cunyou and Mr. Ge Hongbing, the directors of the Company, were granted the rights to acquire 10,260,000 shares and 6,000,000 shares of the Company, respectively. Such rights can be exercisable for a period of 10 years from the date of grant. As certain conditions were met during the three years ended 31 December 2010, each of CITIC Capital China, Fang Brothers, CDH Cool, CDH Auto and Sunrise International agreed to transfer a total of 30,000,000 shares to the grantees at nil consideration in proportion to their respective interests in the Company upon the grantees exercising their rights under the share incentive plan. The relevant equity settled share-based payment expenses of RMB14,502,000 in total were charged to profit or loss over the three years ended 31 December 2010 when certain conditions were met.

The grantees have agreed that they would not exercise any of their rights before 18 June 2013 and that any exercise of their rights before 18 June 2014 would be subject to a limit of 50% with their remaining rights to be exercised from 18 June 2014 onwards.

In January 2014, the grantees exercised the rights to acquire 15,000,000 shares of the Company in respect of the above share incentive plan. Each of CITIC Capital China, Fang Brothers, CDH Cool, CDH Auto and Sunrise International transferred a total of 15,000,000 shares of the Company to the grantees at nil consideration in proportion to their respective interests in the Company.

As at 30 June 2014, the grantees' remaining rights to acquire 15,000,000 shares of the Company in respect of the above share incentive plan were exercisable.

17. Commitments

(a) Capital commitments

Capital commitments outstanding at 30 June 2014 not provided for in the interim financial report are as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	45,424	27,864
Authorised but not contracted for	49,534	49,534
	94,958	77,398



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(Expressed in RMB unless otherwise indicated)

17. Commitments (continued)

(b) Lease commitments

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	1,606	299
After 1 year but within 5 years	291	—
	1,897	299

18. Material related party transactions

(a) Transactions with related parties

Transactions with related parties during the six months ended 30 June 2014 are as follows:

		Six months ended 30 June 2014 RMB'000	2013 RMB'000
	Note		
<i>Recurring transactions</i>			
Sales of goods			
— Beijing Automobile Co., Ltd. ("Beijing Auto")		44,586	32,849
— Hubei Leidite Xiezhong Automobile Air-conditioning System Co., Ltd. ("Xiezhong Hubei")	(i)	—	279
		44,586	33,128
Purchase of goods			
— Nanjing Aotecar Refrigerating Co., Ltd. ("Aotecar Nanjing")	(ii)	—	4,054
		—	4,054

(i) Xiezhong Hubei ceased to be a related party of the Group after its liquidation on 9 September 2013.

(ii) Aotecar Nanjing ceased to be a related party of the Group from 27 March 2013 because CITIC Capital China, Fang Brothers, CDH Cool and CDH Auto have transferred all of their equity interests in Aotecar Nanjing to a third party.

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(Expressed in RMB unless otherwise indicated)

18. Material related party transactions (continued)

(a) Transactions with related parties (continued)

The directors consider that the above related party transactions during the six months ended 30 June 2014 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

Guarantee issued by a related party

As at 30 June 2014, the Group's bank loans of RMB30,000,000 were guaranteed by Mr. Chen Cunyou (see note 15).

(b) Amounts due from related parties

At 30 June 2014, the Group had the following balances with related parties:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade debtors from — Beijing Auto	29,560	30,462

Amounts due from the above related parties are unsecured and interest-free.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Short-term employee benefits	1,300	1,735

The above remuneration is disclosed in "staff costs" (see note 6(b)).



Corporate governance

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2014.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange ("Listing Rules") as its own code of corporate governance.

During the six months ended 30 June 2014, the Company was in compliance with all code provisions set out in the CG Code except for the deviations as explained below:

- under code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual, but for the purpose of our Group, the roles of the chairman and the chief executive of the Company are not separate and both are performed by Mr. Chen Cunyou. Since the Directors meet regularly to consider major matters regarding the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that, with the effective operations of the Board which comprises experienced and high-calibre individuals, this structure will enable the Company to make and implement decisions promptly and efficiently.
- under code provision A.6.7 of the CG Code, all non-executive Directors should attend general meetings of the Company. All non-executive Directors of the Company (including independent non-executive Directors) attended the annual general meeting of the Company held on 9 May 2014 (the "AGM"), other than the then non-executive Directors, Mr. Fang Kenneth Hung, Mr. Wang Zhenyu and Mr. Zhang Yichen (each resigned on 30 July 2014), and the independent non-executive Director, Mr. Lau Ying Kit who were absent from the AGM due to pre-arranged business commitments.

Share incentive plan

On 29 October 2008, the board of directors of Xiezhong Nanjing adopted the share incentive plan, pursuant to which 33 grantees were granted rights to acquire at nil consideration, shares in Xiezhong Nanjing or its listing vehicle holding company, totalled 5% of the issued shares of such listing vehicle immediately before its Listing, conditional upon Xiezhong Nanjing having achieved the targeted profits for each of the years 2008, 2009 and 2010 of RMB60 million, RMB63 million, and RMB80 million respectively (the "Share Incentive Plan"). As Xiezhong Nanjing had achieved the targeted profits, each of Fang Brothers, CDH Cool, CDH Auto, CITIC Capital China and Sunrise International agreed to transfer a total of 30,000,000 Shares of the Company to the said grantees at nil consideration in proportion to their respective interests in the Company upon the grantees exercising their rights under the Share Incentive Plan. Such rights can be exercised for a period of 10 years from the date of grant. In January 2014, 15,000,000 Shares were transferred to the grantees pursuant to the exercise notice given by the grantees. Amongst which, 5,130,000, 3,000,000 and 1,500,000 Shares were transferred at nil consideration to Mr. Chen Cunyou, Mr. Ge Hongbing and Mr. Huang Yugang, respectively.

As at 30 June 2014, the grantees' remaining rights to acquire 15,000,000 Shares of the Company in respect of the Share Incentive Plan were exercisable, particulars of the grants under the Share Incentive Plan are set out below:

Grantees	Number of outstanding Shares to be acquired by the grantees	Approximate % of interest in the Company
Directors		
Mr. Chen Cunyou	5,130,000	0.641%
Mr. Ge Hongbing	3,000,000	0.375%
Mr. Huang Yugang (appointed on 25 August 2014)	1,500,000	0.188%
Others (30 employees)	5,370,000	0.671%
Total	15,000,000	1.875%

Share option scheme

The Company adopted a share option scheme on 21 May 2012 and revised on 30 May 2012 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

During the reporting period, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the share option scheme.

Directors' and chief executives' interest in securities

As at 30 June 2014, save as disclosed below, none of our Directors or chief executive of our Company who held office on 30 June 2014 had any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions) which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Listing Rules.

Long positions (L) and short positions (S) in the Ordinary shares of HKD0.01 each (the “Shares”) of the Company or any of its associated corporations

Name of Directors	Nature of interest	Number of shares	Approximate percentage of shareholding in our Company
Mr. Fang Kenneth Hung (Note 1)	Interest of controlled corporation	900,000 (L)	0.11%
		900,000 (S)	0.11%
Mr. Chen Cunyou (Note 2)	Beneficial owner	10,260,000 (L)	1.2825%
Mr. Ge Hongbing (Note 3)	Beneficial owner	6,000,000 (L)	0.75%
	Interest of spouse	12,000,000 (L)	1.50%
Mr. Zhang Yichen (Note 4)	Interest of controlled corporation	4,628,700 (L)	0.58%
		4,628,700 (S)	0.58%
Mr. Chen Hao (Note 5)	Beneficial owner Interest of controlled corporation	12,000,000 (L)	1.50%
		234,000,000 (L)	29.25%
		6,000,000 (S)	0.75%
Mr. Huang Yugang (Note 6)	Beneficial owner	1,500,000 (L)	0.188%

Notes:

- As mentioned in the paragraph headed “Share Incentive Plan” above, each of Fang Brothers, CDH Cool, CDH Auto, CITIC Capital China and Sunrise International has an obligation to transfer a total of 30,000,000 shares in proportion to their respective interests in the Company at nil consideration to the grantees under the Share Incentive Plan upon full exercise of the grantees’ rights thereunder. As a result, each of them has a short position in respect of the shares to be so transferred under the Share Incentive Plan. Since Mr. Fang Kenneth Hung has a 50% interest in Fang Brothers Holdings Limited, which wholly owns Fang Brothers. Therefore, Mr. Fang Kenneth Hung is deemed to be interested in all the shares held by and short positions in shares of Fang Brothers by virtue of the SFO. Mr. Fang resigned from his office of the non-executive Director of the Company on 30 July 2014.
- Mr. Chen Cunyou was granted the right to acquire a total of 10,260,000 Shares at nil consideration in proportion to his then respective interests in the Company upon Mr. Chen exercising his rights under the Share Incentive Plan. In January 2014, 5,130,000 Shares were transferred to Mr. Chen pursuant to the Share Incentive Plan. As at 30 June 2014, Mr. Chen is still entitled to exercise his right to acquire the remaining 5,130,000 Shares at nil consideration.
- Mr. Ge Hongbing was granted the right to acquire a total of 6,000,000 Shares at nil consideration in proportion to his then respective interests in the Company upon Mr. Ge exercising his rights under the Share Incentive Plan. In January 2014, 3,000,000 Shares were transferred to Mr. Ge pursuant to the Share Incentive Plan. As at 30 June 2014, Mr. Ge is still entitled to exercise his right to acquire the remaining 3,000,000 Shares at nil consideration.
- Mr. Zhang Yichen is deemed to be interested in all the shares held by and all short positions in shares of CITIC Capital China by virtue of the SFO. Mr. Zhang resigned from his office of the non-executive Director of the Company on 30 July 2014.
- As Sunrise International is 100% owned by Mr. Chen Hao, therefore, Mr. Chen Hao is deemed to be interested in all the shares held by and all short positions in shares of Sunrise International by Virtue of the SFO. Mr. Chen was appointed as a non-executive Director of the Company on 25 August 2014.
- Mr. Huang Yugang was granted the right to acquire a total of 3,000,000 Shares at nil consideration in proportion to his then respective interests in the Company upon Mr. Huang exercising his rights under the Share Incentive Plan. In January 2014, 1,500,000 Shares were transferred to Mr. Huang pursuant to the Share Incentive Plan and all of which have been disposed. As at 30 June 2014, Mr. Huang is still entitled to exercise his right to acquire the remaining 1,500,000 Shares at nil consideration. Mr. Huang was appointed as a non-executive Director of the Company on 25 August 2014.

Substantial shareholders' interests in securities

So far as it is known to the Directors, save as disclosed below, our Directors are not aware of any person (other than Directors and chief executive of the Company) who, as at 30 June 2014, had interests or short positions in any shares or underlying shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions (L) and short positions (S) in shares

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of shareholding in our Company
BHAP ¹	Beneficial owner	265,332,600 (L)	33.17%
Hainachuan ¹	Interest of controlled corporation	265,332,600 (L)	33.17%
Beijing Automotive Group ¹	Interest of controlled corporation	265,332,600 (L)	33.17%
Beijing Industrial Developing Investment Management Co., Ltd ¹	Interest of controlled corporation	265,332,600 (L)	33.17%
Beijing State-owned Assets Management Co., Ltd ¹	Interest of controlled corporation	265,332,600 (L)	33.17%
Sunrise International ²	Beneficial owner	234,000,000 (L)	29.25%
		6,000,000 (S)	0.75%
Chen Hao ²	Beneficial owner Interest of controlled corporation	12,000,000 (L)	1.50%
		234,000,000 (L)	29.25%
		6,000,000 (S)	0.75%
Brilliance International Holding Limited ("Brilliance") ³	Beneficial owner	40,763,400 (L)	5.09%
Chen Jiao ³	Beneficial owner Interest of controlled corporation	12,000,000 (L)	1.50%
		40,763,400 (L)	5.09%

Notes:

- Each of these entities is deemed to be interested in all the shares held by BHAP by virtue of the SFO given their direct or indirect relationship with BHAP as described below:
 - BHAP is wholly-owned by Hainachuan, which is owned as to 60% by Beijing Automotive Group and 40% by Beijing Industrial Developing Investment Management Co. Ltd. (北京工業發展投資有限公司), respectively.
 - Beijing Automotive Group is a wholly-owned subsidiary of Beijing State-Owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司)
- Sunrise International is 100% owned by Mr. Chen Hao. Therefore, Mr. Chen Hao is deemed to be interested in all the shares held by and all short positions in shares of Sunrise International by Virtue of the SFO.
- Brilliance is 100% owned by Ms. Chen Jiao. Therefore, Ms. Chen Jiao is deemed to be interested in all the shares by Brilliance by virtue of the SFO.



Purchase, sale or redemption of listed shares

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed shares of the Company.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) as its own code of conduct for securities transactions. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings as set out in the Model Code during the reporting period.

Remuneration committee

Our Company established a remuneration committee on 21 May 2012 with its written terms of reference in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and members of the Board.

As at the date of this announcement, the remuneration committee of the Company comprises four members, being Mr. Lau Ying Kit, Mr. Cheung Man Sang, Mr. Zhang Shulin and Mr. Lin Lei. Mr. Cheung Man Sang currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 21 May 2012 with its written terms of reference in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

As at the date of this announcement, the nomination committee of the Company comprises four members, being Mr. Lau Ying Kit, Mr. Cheung Man Sang, Mr. Zhang Shulin and Mr. Lin Lei. Mr. Zhang Shulin currently serves as the chairman of our nomination committee.

Audit committee

Our Company established an audit committee on 21 May 2012 with its written terms of reference in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

As at the date of this announcement, the audit committee of the Company comprises four independent non-executive Directors of the Company, namely Mr. Lau Ying Kit, Mr. Cheung Man Sang, Mr. Zhang Shulin and Mr. Lin Lei. Mr. Lau Ying Kit currently serves as the chairman of our audit committee. The audit committee discussed with the management over internal control and financial reporting matters related to the preparation of the interim financial report for the six months ended 30 June 2014. The audit committee also reviewed the interim financial report together with the Company’s external auditor.



Publication of the interim results and interim report

The interim results announcement is published on the websites of the Company at www.xiezhonginternational.hk and the Stock Exchange at www.hkex.com.hk. The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules is to be dispatched to shareholders of the Company and made available on the same websites in due course.

The announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

By Order of the Board
Xiezhong International Holdings Limited
Chen Cunyou
Chairman

Hong Kong, 29 August 2014

As at the date of this report, the Board comprises two executive directors, namely Mr. Chen Cunyou, Mr. Ge Hongbing; five non-executive directors, namely Mr. Han Yonggui, Mr. Li Xuejun, Mr. Zhu Zhenghua, Mr. Chen Hao and Mr. Huang Yugang ; and four independent non-executive directors, namely Mr. Lau Ying Kit, Mr. Cheung Man Sang, Mr. Zhang Shulin and Mr. Lin Lei.