



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 2015

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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*)
Mr. Li Xuejun
Mr. Zhu Zhenghua
Mr. Chen Hao
Mr. Huang Yugang

Independent Non-Executive Directors

Mr. Lau Ying Kit
Mr. Cheung Man Sang
Mr. Zhang Shulin
Mr. Lin Lei

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

Committees

Audit Committee

Mr. Lau Ying Kit (*Chairman*)
Mr. Cheung Man Sang
Mr. Zhang Shulin
Mr. Lin Lei

Nomination Committee

Mr. Zhang Shulin (*Chairman*)
Mr. Lau Ying Kit
Mr. Cheung Man Sang
Mr. Lin Lei

Remuneration Committee

Mr. Cheung Man Sang (*Chairman*)
Mr. Lau Ying Kit
Mr. Zhang Shulin
Mr. Lin Lei

Authorised Representatives

Mr. Chen Cunyou
Mr. Dai Zumian (alternate to Chen Cunyou)
Mr. Chui Wing Fai

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
China CITIC Bank International Limited

Stock Code

3663



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company and its subsidiaries (the “Group”) is one of the leading suppliers of automotive heating, ventilation and cooling (“HVAC”) systems for vehicles. We principally engage in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components, and provide technical testing and related services. 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 new-energy vehicles, construction machineries and other types of vehicles such as light trucks and buses.

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 2015 was 12,095,000 units and 11,850,300 units respectively, representing a growth of 2.6% and 1.4% respectively as compared against that of the previous corresponding period. Amongst those motor vehicles, the number of passenger vehicles manufactured and sold was 10,327,800 units and 10,095,600 units respectively, representing a growth of 6.4% and 4.8% respectively as compared against that of the previous corresponding period; the number of commercial vehicles manufactured and sold was 1,767,200 units and 1,754,700 units respectively, representing a drop of 14.9% and 14.4% respectively as compared against that of the previous corresponding period. In the first half year of 2015, China automotive industry growth rate slowed down, and the sales of commercial vehicles decreased greatly compared against that of the previous corresponding period. This brought large pressure over the Group’s sales and therefore overall revenue fell slightly compared against that of the previous corresponding period.

During the reporting period, the Group recorded revenue of RMB347.6 million, representing a decrease of 5.8% compared against that of RMB369.0 million in the previous corresponding period. The gross profit of the Group amounted to RMB73.6 million, representing a decrease of 12.0% compared against that of RMB83.6 million in the previous corresponding period. The profit attributable to equity shareholders of the Company amounted to RMB22.9 million, representing a growth of 0.4% compared against that of RMB22.8 million in the previous corresponding period.

During the reporting period, China automotive industry growth rate slowed down. Sales of passenger vehicles achieved a slight growth, while sales of commercial vehicles decreased greatly. Joint venture brand car manufacturers reduced prices, which brought about fierce competition in the automotive parts industry. The Group put more emphasis on the development of the HVAC after-sales market during the reporting period, and sales of HVAC components increased accordingly. Under these circumstances, the Group required every department to lay a solid foundation, strengthen internal control, and enhance working efficiency, thus improving competitiveness. To improve the economic benefits, the Group proposed increasing the source of income and cut down the costs. The Group required every department to try to generate income through various channels, continue to reduce purchase costs and cut down expenditure. Through the efforts of the staff, it achieved good results during the reporting period.

Financial Review

Revenue

During the reporting period, the Group recorded revenue of RMB347.6 million, representing a decrease of 5.8% compared against that of RMB369.0 million in the previous corresponding period. Such decrease in revenue was mainly due to the combined effects of the decrease in revenue from HVAC systems for heavy trucks and vans and the increase in revenue from HVAC components, compared against that in the previous corresponding period, as mentioned in “Business Review”.

	Six months ended 30 June			
	2015		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue
HVAC systems				
SUVs and pickup trucks	104,509	30.1%	108,591	29.4%
Sedans	68,700	19.7%	61,354	16.6%
Heavy trucks	45,069	13.0%	63,082	17.1%
Vans	39,473	11.4%	59,117	16.0%
Construction machineries	11,144	3.2%	17,324	4.7%
Other vehicles ⁽¹⁾	17,855	5.2%	20,566	5.6%
HVAC components⁽²⁾	51,810	14.8%	31,029	8.4%
Service income⁽³⁾	9,051	2.6%	7,941	2.2%
Total	347,611	100.0%	369,004	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.

(3) Service income mainly represents revenue from rendering of testing and experiment services relating to the manufacturing of automotive air-conditioner.

Gross profit and gross profit margin

During the reporting period, the gross profit was RMB73.6 million, representing a decrease of 12.0% compared against RMB83.6 million in the previous corresponding period. The gross profit margin was 21.2% compared against 22.7% in the previous corresponding period. Such decrease was due to 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 decreased to RMB4.5 million during the reporting period from RMB6.2 million in the previous corresponding period.

Distribution costs

Distribution costs decreased by 21.2% or RMB4.3 million to RMB16.0 million during the reporting period from RMB20.3 million in the previous corresponding period. During the reporting period, distribution costs decreased in line with the decrease of revenue. In addition, due to the decrease of oil price, transport costs decreased, which contributed to the further decrease of distribution costs.

Administrative expenses

During the reporting period, administrative expenses were RMB25.4 million, representing a decrease of RMB7.0 million or 21.6% compared against that of RMB32.4 million in the previous corresponding period. With the strengthened research and development capabilities of the Group and increased expenditure on development cost in respect of HVAC systems adaptable to new automotive models, the Group began to capitalise the development cost of HVAC systems, which met the requirements of the accounting policy for capitalisation during the reporting period. This contributed to the decrease of administrative expenses.

Finance costs

During the reporting period, finance costs were RMB7.0 million, representing a decrease of RMB1.8 million or 20.5% compared against that of RMB8.8 million in the previous corresponding period. During the reporting period, the Group reduced the discounted bills, which contributed to the decrease of interest on discounted bills.

Income tax

During the reporting period, income tax was RMB5.9 million, representing an increase of RMB1.3 million or 28.3% compared against that of RMB4.6 million in the previous corresponding period. Such increase was mainly due to the decrease of tax-deductible expenses as a result of the capitalisation of development costs.

Profit for the period

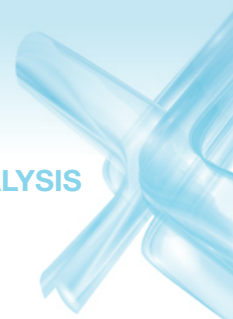
As a result of the foregoing, profit attributable to equity shareholders of the Company increased by RMB0.1 million or 0.4% from RMB22.8 million in the previous corresponding period to RMB22.9 million during the reporting period.

Liquidity and Financial Resources

Inventories

As at 30 June 2015, the Group's inventory balance decreased to RMB177.7 million (31 December 2014: RMB182.6 million), which was due to the decrease of inventory level maintained at various warehouses with the decrease of revenue during the reporting period.

The average inventory turnover days slightly increased from 118 days during the twelve months ended 31 December 2014 to 119 days during the six months ended 30 June 2015.

**Trade debtors and bills receivable**

As at 30 June 2015, the Group's trade debtors and bills receivable were RMB461.6 million (31 December 2014: RMB417.1 million). During the reporting period, China automotive industry growth rate slowed down, and competition became more intense, and some car manufactures postponed payments, which contributed to the increase of the balance.

The average trade debtors and bills receivable turnover days increased from 219 days during the twelve months ended 31 December 2014 to 229 days during the six months ended 30 June 2015. Without taking into account the bills receivable, the average turnover days of trade debtors increased from 141 days during the twelve months ended 31 December 2014 to 175 days during the six months ended 30 June 2015. The change was because the average balance of trade debtors and bills receivable during the reporting period was more than that of 2014. The Group took every effort on the collection of overdue trade debtors during the reporting period.

Trade payables and bills payable

As at 30 June 2015, the Group's trade payables and bills payable were RMB299.2 million (31 December 2014: RMB302.0 million), which was due to the decrease in purchase of raw materials in line with the decrease of revenue during the reporting period.

The average trade payables and bills payable turnover days slightly increased from 193 days during the twelve months ended 31 December 2014 to 199 days during the six months ended 30 June 2015.

Cash and deposits with banks and borrowings

As at 30 June 2015, the Group's cash and deposits with banks was RMB40.8 million (31 December 2014: RMB217.9 million). The decrease in cash flow was mainly due to repayment of certain bank loans and large capital expenditure incurred during the reporting period.

As at 30 June 2015, the Group had outstanding bank borrowings of RMB290.3 million (31 December 2014: RMB348.6 million), all of which were short-term and intended to meet the working capital of the Group. And as at 30 June 2015, bank borrowings carried interest rates ranging from 3.3% to 6.3% per annum.

As at 30 June 2015, the banking facilities available to the Group were RMB387.3 million (31 December 2014: RMB411.4 million), of which RMB288.3 million (31 December 2014: RMB345.6 million) had been utilized.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, as at 30 June 2015, the Group had no 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.

The Group typically uses short-term borrowings in the course of financing its business. The 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

As at 30 June 2015, 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 plus debt, decreased to 28.1%, compared against 31.4% as at 31 December 2014, which was due to the decrease of bank borrowings during the reporting period.

Use of proceeds

The net proceeds of Company's listing in June 2012 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 2015 was as follow:

Items	Net Proceeds (RMB million)		
	Available	Utilised	Unutilised
Expanding of production plants and upgrading existing facilities of the Group	92.7	53.2	39.5
Funding for research and development	30.9	30.9	—
Working capital and other general purposes	10.8	10.8	—
Total	134.4	94.9	39.5

Contingent liabilities

As at 30 June 2015, the Group did not incur any material contingent liabilities.

Significant investments held

Except for investment in subsidiaries, during the six months ended 30 June 2015, the Group did not hold any significant investment in equity interest in any company.

Future plans for material investments or capital assets

The Group has plans to set up a new subsidiary in Chengdu, PRC for better cooperation with customers.

Material acquisitions and disposals of subsidiaries and affiliated companies

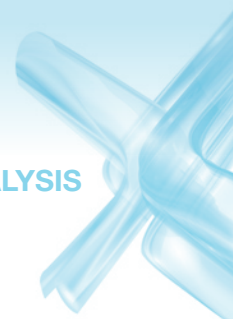
During the six months ended 30 June 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Capital commitments

As at 30 June 2015, the Group's capital commitments to make contracted payments amounted to RMB38.2 million (31 December 2014: RMB41.1 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 RMB60.8 million (six months ended 30 June 2014: RMB63.1 million), primarily representing additions of new machinery and equipment.



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. During the reporting period, the Group did not employ any financial instrument for hedging purposes.

Employees

As at 30 June 2015, the Group had 780 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 RMB30.7 million (six months ended 30 June 2014: RMB34.3 million), representing 8.8% (six months ended 30 June 2014: 9.3%) of the total revenue 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

On 20 July 2015, the Company's subsidiary, Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd. ("Xiezhong Nanjing") entered into a share transfer agreement with equity shareholders of Heifei Dyne Investment Company Limited ("Dyne Investment"), to acquire 60.42% equity interest in Dyne Investment, at a cash consideration of RMB43,804,500. Please refer to the announcement made by the Company on 27 July 2015 for further details.

On 28 August 2015, the Company (as borrower), Xiezhong Holdings Limited and Xiezhong Auto-Airconditioner (Hong Kong) Limited (as guarantors) entered into a loan agreement (the "Loan Agreement") with, the banks and financial institutions listed in the Loan Agreement (as initial lending banks), China CITIC Bank International Limited (as agent bank), China CITIC Bank International Limited (as mandated lead arranger and bookrunner), Dah Sing Bank Limited (as mandated lead arranger), Taishin International Bank Co. Ltd and Chang Hwa Commercial Bank, Ltd. (as arrangers), pursuant to which, a term loan facility in an aggregate amount up to US\$40,000,000 (the "Total Commitments") will be made available to the Company subject to the terms and conditions of the Loan Agreement repayable in 5 instalments on the dates falling 12 months, 18 months, 24 months, 30 months and 36 months after the date of first draw down in accordance with the provisions of the Loan Agreement. The final maturity date of the Loan Agreement is the date falling 36 months after the date of first draw down. Pursuant to the Loan Agreement, the Company shall apply the entire amount to be borrowed under the Loan Agreement to repay the existing debts of the Group and finance the Group's working capital/capital expenditures.

Pursuant to the Loan Agreement, if BHAP HK Investment Limited ("BHAP"), the controlling shareholder of the Company holds, directly or indirectly, less than 25% equity interest of the Company or if Mr. Chen Hao and Ms. Chen Jiao hold, directly or indirectly, less than 30% equity interest of the Company, it will constitute an event of default. Once an event of default occurs, the agent bank may notify the Company at any time during the period when the event of default continues and shall notify the Company according to the instructions given by a majority of the lending banks to:

- (a) cancel the Total Commitments;



MANAGEMENT DISCUSSION AND ANALYSIS

- (b) announce all or any part of the loans under the financing documents which includes the Loan Agreement, together with the interests incurred and all other amounts incurred or outstanding shall become due and payable immediately; and/or
- (c) announce all or any part of the loans shall be paid immediately once demanded.

Please refer to the announcement made by the Company on 31 August 2015 for further details.

Dividends

The Board did not propose any payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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. Moreover, domestic demand arising from urbanisation 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. In addition, 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 will all promote the healthy development of the new-energy automobile industry. Riding on the favourable 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. The Group will launch more resource to develop HVAC systems for new-energy vehicles to achieve greater progress, and thus strengthen our competitive advantage.

2) *Cost advantage*

In order to maintain our long-term competitiveness and stable profit margins, we will endeavour to maintain our cost advantages. We will improve the economic benefits through research and development of new products, optimisation 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 current production bases, we are constructing new bases, 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 favourable and potential business expansion and acquisition opportunities, thus achieving long-term business growth, while further increase the Group's revenue, improve profitability, and thus maximise the returns of the Shareholders. On 20 July 2015, the Company's subsidiary, Xiezhong Nanjing entered into a share transfer agreement with equity shareholders of Dyne Investment, to acquire 60.42% equity interest in Dyne Investment. Dyne Investment and DENSO (China) Investment Co., Ltd ("DENSO") each owns 50% equity interest in Hefei Dyne Auto Air Conditioner Co., Ltd. ("Hefei Dyne"). Hefei Dyne specializes in the manufacturing, research and development, sales, import and export of automotive airconditioning systems, compressors and accessories. After the acquisition, the Group can gain access to the key technology of developing compressors, which is a key component of HVAC, enhancing long-term development of the Company. The Group will also be able to partner with DENSO, leading to a win-win situation.



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 13 to 31 which comprises the consolidated statement of financial position of Xiezhong International Holdings Limited as at 30 June 2015 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 2015 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

28 August 2015

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015 — unaudited

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	4	347,611	369,004
Cost of sales		(274,003)	(285,391)
Gross profit		73,608	83,613
Other revenue and net income	5	4,523	6,161
Distribution costs		(16,030)	(20,253)
Administrative expenses		(25,388)	(32,396)
Profit from operations		36,713	37,125
Finance costs	6(a)	(6,967)	(8,774)
Profit before taxation		29,746	28,351
Income tax	7	(5,909)	(4,565)
Profit for the period		23,837	23,786
Attributable to:			
Equity shareholders of the Company		22,869	22,770
Non-controlling interests		968	1,016
Profit for the period		23,837	23,786
Earnings per share (RMB)			
Basic and diluted	8	0.029	0.028

The notes on pages 19 to 31 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015 — unaudited

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit for the period	23,837	23,786
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	61	(12)
Total comprehensive income for the period	23,898	23,774
Attributable to:		
Equity shareholders of the Company	22,930	22,758
Non-controlling interests	968	1,016
Total comprehensive income for the period	23,898	23,774

The notes on pages 19 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 — unaudited

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	9	502,065	497,168
Lease prepayments		52,091	52,714
Intangible assets	10	31,067	23,465
Goodwill		46,832	46,832
Non-current prepayments		64,775	38,234
Deferred tax assets		6,432	7,403
		703,262	665,816
Current assets			
Inventories	11	177,731	182,612
Trade and other receivables	12	483,396	432,148
Amounts due from a related party	19(b)	93,325	55,334
Deposits with banks	13	16,292	21,324
Cash	14	24,518	196,609
		795,262	888,027
Current liabilities			
Trade and other payables	15	326,415	338,876
Interest-bearing borrowings	16	290,309	348,567
Income tax payables		11,620	7,038
Provision		5,274	5,105
		633,618	699,586
Net current assets		161,644	188,441
Total assets less current liabilities		864,906	854,257

The notes on pages 19 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 — unaudited

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current liabilities			
Deferred income		20,816	20,942
Deferred tax liabilities		18,497	19,622
		39,313	40,564
Net assets		825,593	813,693
Capital and reserves	17		
Share capital		6,496	6,496
Reserves		787,739	776,807
Total equity attributable to equity shareholders of the Company		794,235	783,303
Non-controlling interests		31,358	30,390
Total equity		825,593	813,693

Approved and authorised for issue by the board of directors on 28 August 2015.

Chen Cunyou
Director

Ge Hongbing
Director

The notes on pages 19 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 — 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
Balance 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:										
Profit for the period	—	—	—	—	—	—	22,770	22,770	1,016	23,786
Other comprehensive income	—	—	—	—	—	(12)	—	(12)	—	(12)
Total comprehensive income	—	—	—	—	—	(12)	22,770	22,758	1,016	23,774
Dividends approved in respect of the previous year (note 17(a))	—	(17,694)	—	—	—	—	—	(17,694)	—	(17,694)
Balance at 30 June 2014 and 1 July 2014	6,496	89,489	38,845	291,546	17,919	17,189	304,321	765,805	29,626	795,431
Changes in equity for the six months ended 31 December 2014:										
Profit for the period	—	—	—	—	—	—	17,438	17,438	764	18,202
Other comprehensive income	—	—	—	—	—	60	—	60	—	60
Total comprehensive income	—	—	—	—	—	60	17,438	17,498	764	18,262
Appropriation to statutory reserves	—	—	4,914	—	—	—	(4,914)	—	—	—
Balance at 31 December 2014	6,496	89,489	43,759	291,546	17,919	17,249	316,845	783,303	30,390	813,693
Balance at 1 January 2015	6,496	89,489	43,759	291,546	17,919	17,249	316,845	783,303	30,390	813,693
Changes in equity for the six months ended 30 June 2015:										
Profit for the period	—	—	—	—	—	—	22,869	22,869	968	23,837
Other comprehensive income	—	—	—	—	—	61	—	61	—	61
Total comprehensive income	—	—	—	—	—	61	22,869	22,930	968	23,898
Dividends approved in respect of the previous year (note 17(a))	—	(11,998)	—	—	—	—	—	(11,998)	—	(11,998)
Balance at 30 June 2015	6,496	77,491	43,759	291,546	17,919	17,310	339,714	794,235	31,358	825,593

The notes on pages 19 to 31 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015 — unaudited

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Operating activities			
Cash (used in)/generated from operations		(36,000)	104,189
Income tax paid		(1,481)	(5,765)
Net cash (used in)/generated from operating activities		(37,481)	98,424
Investing activities			
Payment for the purchase of property, plant and equipment		(60,799)	(63,066)
Other cash flows arising from investing activities		(4,616)	7,783
Net cash used in investing activities		(65,415)	(55,283)
Financing activities			
Proceeds from new bank loans		60,942	45,088
Repayment of bank loans		(118,200)	(81,000)
Dividends paid to equity shareholders of the Company		(11,998)	(17,694)
Net cash used in financing activities		(69,256)	(53,606)
Net decrease in cash		(172,152)	(10,465)
Cash at 1 January	14	196,609	73,588
Effect of foreign exchange rate changes		61	(12)
Cash at 30 June	14	24,518	63,111

The notes on pages 19 to 31 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 (the “Stock Exchange”), 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 28 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 the Xiezhong International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) since the 2014 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 12.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company’s registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2015.

2 Changes in accounting policies

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

- Annual Improvements to IFRS 2010–2012 Cycle
- Annual Improvements to IFRS 2011–2013 Cycle

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 manufacturing, sales of automotive air-conditioners and rendering of related services.

4. Revenue

The principal activities of the Group are manufacturing, sale of automotive heating, ventilation and cooling ("HVAC") systems and a range of automotive HVAC components, and rendering of services. Rendering of services mainly represents testing services and experiment services.

Revenue represents the sales value of goods supplied to customers and revenue from the rendering of services. The amount of revenue during the period is as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Sales of HVAC systems and HVAC components	338,560	361,063
Revenue from the rendering of services	9,051	7,941
	347,611	369,004

5. Other revenue and net income

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Other revenue		
Government grants	3,678	1,988
Interest income	424	64
Others	411	4,080
	4,513	6,132
Other net income		
Gains on disposal of property, plant and equipment	10	29
	4,523	6,161

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6. Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest on bank loans	6,663	6,541
Interest on discounted bills	304	2,233
	6,967	8,774

(b) Staff costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries, wages and other benefits	28,250	31,800
Contributions to defined contribution retirement plan	2,425	2,535
	30,675	34,335

(c) Other items

	Note	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Amortisation			
— lease prepayments		623	623
— intangible assets		3,481	3,674
Depreciation of property, plant and equipment		25,686	21,912
Impairment (gains)/losses on trade debtors		(660)	336
Operating lease charges:			
— minimum lease payments		1,668	1,241
Research and development costs			
— (other than depreciation and amortisation)		2,053	7,006
Increase in provision for product warranties		1,634	3,309
Cost of inventories	11(b),(i)	272,583	285,391

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6. Profit before taxation (continued)

(c) Other items (continued)

Note:

- (i) Cost of inventories includes RMB33,332,000 (six months ended 30 June 2014: RMB34,574,000) relating to staff costs, depreciation and amortisation for the six months ended 30 June 2015, 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.

7. Income tax

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax		
Provision for current period	6,232	5,419
Over provision in respect of prior year	(169)	(15)
	6,063	5,404
Deferred tax		
Origination and reversal of temporary differences	(154)	(839)
	5,909	4,565

- (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 2015 (six months ended 30 June 2014: RMB nil).

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") was qualified as a High and New Technology Enterprise in 2009 and renewed its certificate as a High and New Technology Enterprise in 2012. As a result, it was entitled to a preferential tax rate of 15% from 2009 to 2014 pursuant to the current applicable CIT Law and its regulations. Xiezhong Nanjing is now applying for an extension of such preferential income tax treatment for another three years from 2015 to 2017. The directors of the Company believe that Xiezhong Nanjing will continue to enjoy such preferential tax rate of 15% from 2015 to 2017 pursuant to the current applicable CIT Law and its regulations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)



7. Income tax (continued)

- (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 Administrative Region, a qualified Hong Kong tax resident who 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%.

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB22,869,000 (six months ended 30 June 2014: RMB22,770,000) and the weighted average of 800,000,000 ordinary shares (six months ended 30 June 2014: 800,000,000 shares) in issue during the six months ended 30 June 2015.

There were no dilutive potential ordinary shares during the six months ended 30 June 2015, and therefore, diluted earnings per share is the same as the basic earnings per share (six months ended 30 June 2014: same).

9. Property, plant and equipment

	2015 RMB'000	2014 RMB'000
Net book value, at 1 January	497,168	465,746
Additions	30,653	78,391
Transfer to intangible assets	—	(562)
Depreciation charge for the period/year	(25,686)	(45,495)
Disposals	(70)	(912)
At 30 June/31 December	502,065	497,168

10. Intangible assets

During the six months ended 30 June 2015, additions to intangible assets by capitalisation in respect of development costs amounted to approximately RMB11,083,000 (six months ended 30 June 2014: RMB nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

11. Inventories

- (a) Inventories in the consolidated statement of financial position comprised:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	32,600	39,160
Work in progress	7,465	13,188
Finished goods	137,666	130,264
	177,731	182,612

- (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 2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	271,066	285,043
Write down of inventories	1,517	348
	272,583	285,391

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

12. Trade and other receivables

As of the end of the reporting period, 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 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	270,266	272,074
3 to 6 months	103,117	74,451
6 to 12 months	56,410	32,248
Over 12 months	31,787	38,375
Trade debtors and bills receivable, net of allowance for doubtful debts	461,580	417,148
Other receivables, deposits and prepayments	21,816	15,000
	483,396	432,148

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 2015, the Group discounted certain bank acceptance bills with a carrying amount of RMB2,000,000 (31 December 2014: RMB3,000,000) to banks for cash proceeds and endorsed certain bank acceptance bills with a carrying amount of RMB25,680,000 (31 December 2014: RMB56,223,000) 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.

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

As at 30 June 2015, 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 end of the reporting period. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

12. Trade and other receivables (continued)

Transfers of financial assets (continued)

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

As at 30 June 2015, 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 RMB15,200,000 and RMB77,682,000 (31 December 2014: RMB34,220,000 and RMB129,517,000) respectively.

13. Deposits with banks

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Pledged deposits	6,000	16,090
Unrestricted deposits	10,292	5,234
	16,292	21,324

14. Cash

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash at bank	24,462	196,558
Cash on hand	56	51
	24,518	196,609

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)



15. Trade and other payables

As of the end of the reporting period, 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 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	161,769	223,405
Over 3 months but less than 6 months	121,951	70,973
Over 6 months but less than 12 months	11,895	5,576
Over 12 months	3,629	2,037
Total trade creditors and bills payable	299,244	301,991
Other payables	22,016	30,823
Other tax payable	5,155	6,062
	326,415	338,876

16. Interest-bearing borrowings

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bank loans		
— Secured (i)	80,987	133,200
— Unsecured	207,322	212,367
Bank advances under discounted bills	2,000	3,000
	290,309	348,567

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16. Interest-bearing borrowings (continued)

- (i) At 30 June 2015, the carrying amounts of the assets of the Group secured against bank loans were analysed as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Property, plant and equipment	129,097	135,285
Lease prepayments	23,271	23,581
Trade and other receivables	17,854	34,495
Pledged deposits	6,000	16,090
	176,222	209,451

17. 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 2015 (six months ended 30 June 2014: 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 2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.019 per ordinary share (six months ended 30 June 2014: HKD0.028 per ordinary share)	11,998	17,694

18. Commitments

(a) Capital commitments

Capital commitments outstanding not provided for in the interim financial report are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracted for	38,202	41,103
Authorised but not contracted for	118,034	49,534
	156,236	90,637

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18. Commitments (continued)

(b) Lease commitments

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	718	539
After 1 year but within 5 years	—	3
	718	542

19. Material related party transactions

(a) Transactions with related parties

Transactions with related parties during the six months ended 30 June 2015 are as follows:

	Six months ended 30 June 2015 RMB'000	2014 RMB'000
<i>Recurring transactions</i>		
Sales of goods		
— Beijing Automotive Group Co., Ltd. and its subsidiaries ("Beijing Automotive Group")	86,262	44,586
	86,262	44,586
Services rendered		
— Beijing Automotive Group	4,717	—
	4,717	—

The directors consider that the above related party transactions during the six months ended 30 June 2015 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19. Material related party transactions (continued)

(a) Transactions with related parties (continued)

		Six months ended 30 June	
		2015	2014
	Note	RMB'000	RMB'000
Non-recurring transactions			
Advance from a related party			
— Sunrise International Investment Management Inc. ("Sunrise International")	(i)	14,580	—
		14,580	—
Repayment of advance from a related party			
— Sunrise International		14,580	—
		14,580	—

(i) Sunrise International is one of the Company's equity shareholders.

(b) Amounts due from related parties

At 30 June 2015, the Group had the following balances with related parties:

	At 30 June 2015	At 31 December 2014
	RMB'000	RMB'000
Trade debtors from		
— Beijing Automotive Group	93,325	55,334

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19. Material related party transactions (continued)

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	1,169	1,300

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

20. Non-adjusting events after the reporting period

On 20 July 2015, the Company's subsidiary, Xiezhong Nanjing entered into a share transfer agreement with equity shareholders of Hefei Dyne Investment Company Limited ("Dyne Investment"), who owns 50% equity interest in Hefei Dyne Auto Air Conditioner Co., Ltd. ("Hefei Dyne"). Hefei Dyne engages in the manufacturing, developing and marketing of automotive air-conditioning compressors. According to the agreement, Xiezhong Nanjing will acquire 60.42% equity interest in Dyne Investment, at a cash consideration of RMB43,804,500, subject to an approval by the relevant PRC government authorities. Up to the date of this report, the transaction is still incomplete and subject to the approval by the relevant PRC government authorities.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2015.

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 2015, 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 13 May 2015 (the "AGM"), other than the non-executive Directors, Mr. Han Yonggui, Li Xuejun, and the independent non-executive Directors, Mr. Lau Ying Kit, Mr. Zhang Shulin and Mr. Lin Lei who were absent from the AGM due to pre-arranged business commitments.

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 executive's interest in securities

As at 30 June 2015, save as disclosed below, none of the Directors or chief executive of our Company who held office 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 Issuers as set out in Appendix 10 to the Listing Rules ("Model Code").

Long Position (L) in Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Chen Cunyou	Beneficial owner	10,260,000 (L)	1.2825%
Mr. Ge Hongbing	Beneficial owner	6,000,000 (L)	0.75%
Mr. Chen Hao (Note)	Beneficial owner	8,156,000 (L)	1.02%
	Interest of controlled corporation	228,000,000 (L)	28.50%
Mr. Huang Yugang	Beneficial owner	1,500,000 (L)	0.1875%

Note: 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 Sunrise International by virtue of the SFO.

Substantial shareholders' interests in securities

So far as is known to the Directors or chief executive of the Company, save as disclosed below, the following persons, other than a director or chief executive of the Company who, as at 30 June 2015, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Position (L) in Shares

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
BHAP (note 1)	Beneficial owner	265,332,600 (L)	33.17%
Beijing Hainachuan Automotive Parts Co., Ltd. ("Hainachuan") (note 1)	Interest of controlled corporation	265,332,600 (L)	33.17%
Beijing Automotive Group Co., Ltd. ("BAIC") (note 1)	Interest of controlled corporation	265,332,600 (L)	33.17%
State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (note 1)	Interest of controlled corporation	265,332,600 (L)	33.17%
Beijing Industrial Developing Investment Management Co., Ltd (note 1)	Interest of controlled corporation	265,332,600 (L)	33.17%
Beijing State-owned Assets Management Co., Ltd (note 1)	Interest of controlled corporation	265,332,600 (L)	33.17%
Sunrise International	Beneficial owner	228,000,000 (L)	28.50%
Brilliance International Holding Ltd. (note 2)	Beneficial owner	40,763,400 (L)	5.09%
Ms. Chen Jiao (note 2)	Beneficial owner	12,000,000 (L)	1.50%
	Interest of controlled corporation	40,763,400 (L)	5.09%

Notes:

1. 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:
 - (a) BHAP is wholly-owned by Hainachuan, which is owned as to 60% by BAIC and 40% by Beijing Industrial Developing Investment Management Co. Ltd. (北京工業發展投資有限公司) respectively.
 - (b) BAIC is a wholly-owned subsidiary of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.
 - (c) Beijing Industrial Developing Investment Management Co., Ltd 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).
2. Brilliance International Holding Ltd. is 100% owned by Ms. Chen Jiao. Therefore, Ms. Chen Jiao is deemed to be interested in all the shares by Brilliance International Holding Ltd. by virtue of the SFO.

Purchase, sale or redemption of the Company's listed shares

During the six months ended 30 June 2015, 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 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 report, 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 report, 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 report, 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 2015. 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 and the interim report are 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 2015 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.

This report 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, 28 August 2015

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.