XINGDA INTERNATIONAL HOLDINGS LIMITED
興 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)
(Stock Code : 1899)

INTERIM REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr. LIU Jinlan *(Chairman)*
Mr. LIU Xiang
Mr. TAO Jinxiang
Mr. ZHANG Yuxiao

Independent Non-executive Directors
Mr. KOO Fook Sun, Louis
Mr. William John SHARP *(Vice Chairman)*
Ms. XU Chunhua

AUDIT COMMITTEE
Mr. KOO Fook Sun, Louis *(Chairman)*
Mr. William John SHARP
Ms. XU Chunhua

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE
Mr. William John SHARP *(Chairman)*
Mr. KOO Fook Sun, Louis

NOMINATION COMMITTEE
Mr. LIU Jinlan *(Chairman)*
Mr. KOO Fook Sun, Louis
Ms. XU Chunhua

COMPANY SECRETARY
Mr. CHENG Kam Ho, *CPA*

AUTHORISED REPRESENTATIVES
Mr. ZHANG Yuxiao
Mr. CHENG Kam Ho

LEGAL ADVISORS
As to Hong Kong Law:
Deacons

AUDITOR
Deloitte Touche Tohmatsu

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18 Harcourt Road
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Putuo District
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China

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181 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China
China Construction Bank
Bank of China (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES
Principal:
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch:
Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
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Hong Kong

STOCK CODE
01899

WEBSITE
www.irasia.com/listco/hk/xingda/index.htm

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	RMB in million	*RMB in million*	
OPERATING RESULTS			
Revenue	**3,769.2**	3,677.7	+2.5%
Gross profit	**724.3**	617.6	+17.3%
EBITDA [(1)]	**562.1**	512.5	+9.7%
Profit for the period	**235.5**	176.1	+33.7%
Profit attributable to owners of the Company	**159.4**	127.2	+25.3%
Earnings per share – basic (RMB fen)	**10.68**	8.57	+24.6%
Earnings per share – diluted (RMB fen)	**10.67**	8.57	+24.5%

	30.6.2019	31.12.2018	Change
	RMB in million	*RMB in million*	
FINANCIAL POSITION			
Total assets	**13,631.1**	12,788.6	+6.6%
Total liabilities	**6,092.5**	5,240.1	+16.3%
Net assets	**7,538.6**	7,548.5	-0.1%
Equity attributable to owners of the Company	**5,415.4**	5,451.2	-0.7%

	Six months ended 30 June	
	2019	2018
KEY RATIOS		
Gross profit margin [(2)]	**19.2%**	16.8%
EBITDA margin [(3)]	**14.9%**	13.9%
Return on equity [(4)]	**2.9%**	2.4%

	30.6.2019	31.12.2018
Current ratio [(5)]	**1.29**	1.48
Gearing ratio [(6)]	**17.0%**	10.1%
Net debts to equity ratio [(7)]	**13.7%**	3.5%

Notes:

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

(2) Gross profit divided by revenue.

(3) EBITDA divided by revenue.

(4) Profit for the period attributable to owners of the Company divided by equity attributable to owners of the Company.

(5) Current assets divided by current liabilities.

(6) Total debts (bank borrowings) divided by total assets.

(7) Total debts (bank borrowings) less cash and bank balances divided by equity attributable to owners of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Xingda International Holdings Limited ("Company") and its subsidiaries (together the "Group" or "Xingda") are pleased to present the unaudited interim results for the six months ended 30 June 2019.

For the six months ended 30 June 2019, the Group recorded revenue amounted to RMB3,769.2 million, representing a 2.5% growth relative to the corresponding period last year (first half of 2018: RMB3,677.7 million), attributable mainly to the growth of export sales of radial tire cords and consistent demand for radial tire cords in the domestic market. The Group's gross profit rose by 17.3% year-on-year to RMB724.3 million (first half of 2018: RMB617.6 million), while gross profit margin also increased, by 2.4 percentage points, to 19.2% as compared with the last corresponding period (first half of 2018: 16.8%), thanks mainly to the drop of average price of steel wire rods on a year-on-year basis and the management implementing strict cost control measures as well as increase in revenue during the period. Profit attributable to owners of the Company increased by 25.3% year-on-year to RMB159.4 million (first half of 2018: RMB127.2 million). Basic earnings per share were RMB10.68 fen. The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019.

According to data from China Rubber Industry Association, the 39 key member units of its tire division recorded total domestic radial tire output of approximately 185 million in the first half of 2019, a year-on-year increase of 1.1%, radialization rate rose mildly to 94.5%. Also, statistics of China's Ministry of Public Security and China Association of Automobile Manufacturers showed, in the first half of 2019, car parc in China surged to historical high at 250 million and total land freight traffic volume also increased slightly as compared with the same period last year. The steady growth of logistics activities guaranteed stable demands on the replacement of radial tires as well as the radial tire cords in the first half of 2019.

On 28 March 2019, it was announced that, among other things, the Board recommended the payment of a final dividend of 15.0 HK cents per share (the "2018 Final Dividend") of HK$0.1 each in the capital of the Company (the "Share(s)") for the year ended 31 December 2018 payable to the shareholders of the Company whose names appeared on the register of members of the Company ("Register of Members") as at the close of business on Thursday, 6 June 2019 ("Record Date"). On the Record Date, the Group announced the details in relation to the scrip dividend scheme ("Scrip Dividend Scheme"), pursuant to which shareholders of the Company may opt to receive an allotment of new shares of HK$0.1 each in the share capital of the Company ("Scrip Shares") in lieu of cash only for the 2018 Final Dividend. Under the Scrip Dividend Scheme, shareholders of the Company whose names appeared on the Register of Members on the Record Date may elect to receive: (a) a cash dividend of 15.0 HK cents for each Share held on the Record Date; or (b) a scrip dividend of Scrip Shares at an issue price, subject to any fractional entitlement being disregarded; or (c) a combination of partly in (a) and partly in (b) above. The issue price of the Scrip Shares is HK$1.87 per Share. With the Scrip Dividend Scheme in place, the Company's controlling shareholders had opted to receive the 2018 Final Dividend partly in Scrip Shares and partly in cash, and had been allotted, in aggregate, 23,812,299 Scrip Shares, mirroring again its confidence in the Company's long-term development.

BUSINESS REVIEW

In the first half of 2019, Xingda adhered to its sound and pragmatic operational approach and actively consolidated its leadership in the radial tire cord industry. It also gradually implemented flexible sales strategy, optimized products and expanded its markets. In the first half of 2019, the Group recorded total sales volume of 404,600 tonnes, up 3.0% year-on-year. Sales volume of radial tire cord climbed moderately by 3.8% year-on-year to 338,200 tonnes, making up 83.6% of the Group's total sales volume (first half of 2018: 83.0%). The sales volume of bead wire and other wire decreased by 0.6% to 66,400 tonnes, accounting for 16.4% of the Group's total sales volume (first half of 2018: 17.0%).

During the period, the sales volume of radial tire cord for trucks slightly rose by 0.4% to 216,600 tonnes, against the corresponding period last year, owed mainly to the stable demand for replacement of truck tires. As for the sales volume of radial tire cord for passenger cars, it increased by 10.4% to 121,600 tonnes, mainly due to the obvious boost in sales orders of radial tire cord for passenger cars from overseas market. The sales volume of the two segments accounted for 64.0% and 36.0% respectively of the Group's total sales of radial tire cords during the six months ended 30 June 2019 (first half of 2018: 66.2% and 33.8%).

Sales Volume

	Six months ended 30 June		
	2019	2018	Change
	Tonnes	*Tonnes*	
Radial tire cords	**338,200**	325,900	+3.8%
– *For trucks*	***216,600***	*215,800*	*+0.4%*
– *For passenger cars*	***121,600***	*110,100*	*+10.4%*
Bead wires and other wires	***66,400***	*66,800*	*-0.6%*
Total	**404,600**	392,700	+3.0%

By market, the sales volume of radial tire cord in China slightly rose by 0.4% to 249,100 tonnes (first half of 2018: 248,000 tonnes) in the first half of 2019. In the face of US trade protectionism and guided by the "One Belt One Road" national initiative, Chinese tire enterprises have gradually been establishing production plants in overseas and particularly Southeast Asia in the recent years. Xingda has heeded this trend and also has continued to press ahead with its international sales strategies to broaden its business footprint and international customer base. As a consequence, overseas orders from countries like Thailand, Korea, Japan, Brazil, Germany and Slovakia have steadily increased. Sales of radial tire cords in overseas markets increased during the period by 14.4% year-on-year to 89,100 tonnes (first half of 2018: 77,900 tonnes). The sales volume in domestic and overseas markets constituted 73.6% and 26.4% respectively of the Group's total sales volume (first half of 2018: 76.1% and 23.9%).

BUSINESS REVIEW – *CONTINUED*

As at 30 June 2019, the Group's annual production capacity of radial tire cords rose up to 728,000 tonnes, with the Jiangsu factory and Shandong factory accounting for up to 625,000 tonnes and 103,000 tonnes respectively. Given the strong demand of Southeast Asia markets for its products, the Group speeded up construction of the new factory in Thailand, with phase one expected to start operation in the second half of 2019 affording output of up to 50,000 tonnes. For bead wires and other wires, annual production capacity increased to 165,000 tonnes. The Group's overall capacity utilization rate maintained at a high level at 90.2% (first half of 2018: 90.7%).

	30 June 2019 Production Capacity *(Tonnes)*	**Six months ended 30 June 2019 Utilization Rate**	30 June 2018 Production Capacity *(Tonnes)*	Six months ended 30 June 2018 Utilization Rate
Radial tire cords	**728,000**	**92%**	725,000	91%
Bead wires and other wires	**165,000**	**81%**	150,000	91%
Overall	**893,000**	**90%**	875,000	91%

The Group is dedicated to research and development of products, as well as providing tailor-made radial tire cords to different customer groups. Currently, the Group has a wide range of product lines including 346 types of radial tire cords, 133 types of bead wires and other wires.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				
RMB in million	**2019**	**Proportion *(%)***	2018	Proportion *(%)*	Change
Radial tire cords	**3,340.2**	**89**	3,236.9	88	+3.2
– *For trucks*	***2,176.1***	***58***	*2,198.8*	*60*	*-1.0*
– *For passenger cars*	***1,164.1***	***31***	*1,038.1*	*28*	*+12.1*
Bead wires and other wires	**429.0**	**11**	440.8	12	-2.7
Total	**3,769.2**	**100**	3,677.7	100	+2.5

During the review period, the Group's revenue increased by 2.5% year-on-year to RMB3,769.2 million (first half of 2018: RMB3,677.7 million), mainly due to the steadily rising demands on radial tire cords.

FINANCIAL REVIEW – *CONTINUED*

Gross profit and gross profit margin

The Group's gross profit increased by 17.3% year-on-year to RMB724.3 million (first half of 2018: RMB617.6 million), with gross profit margin at 19.2% (first half of 2018: 16.8%), representing 2.4 percentage points higher year-on-year, attributable mainly to a decrease in steel wire rod price and other production costs as well as greater sales volume and revenue when compared to the corresponding period of last year.

Other income

Other income decreased by 36.3% to RMB51.3 million (first half of 2018: RMB80.6 million), mainly due to no waiver of trade payables recorded in the first half of 2019.

Other gains and losses, net

Other gains and losses, net increased by RMB27.6 million or 125.7% from net loss of RMB21.9 million in the first half of 2018 to net gain of RMB5.6 million in the first half of 2019. It was mainly attributable to the net foreign exchange gain and change in fair value of financial assets at fair value through profit or loss recorded in the first half of 2019 which was partially offset by an increase in impairment losses recognised on trade and other receivables.

Government grants

During the review period, government grants increased by 37.4% to RMB8.0 million (first half of 2018: RMB5.8 million), due to an increase in recurring subsidies from the local government.

Distribution and selling expenses

Distribution and selling expenses increased by 13.6% to RMB266.8 million (first half of 2018: RMB234.8 million). The increase was mainly attributable to rising transportation and storage costs under higher export sales volume as well as the tariffs incurred in the first half of 2019 relating to export sales to the United States of America.

Administrative expenses

Administrative expenses increased by 5.4% to RMB179.4 million (first half of 2018: RMB170.3 million), mainly attributable to an increase in salaries and pension provision.

Research and development expenses

Research and development expenses increased by 46.1% to RMB44.7 million (first half of 2018: RMB30.6 million), as more resources were put on developing new products to meet the needs of customers.

Finance costs

Finance costs rose by 3.8% to RMB27.9 million (first half of 2018: RMB26.9 million) if the amount capitalised in the cost of qualifying assets of RMB11.0 million in the first half of 2019 was excluded. The increase was mainly due to the rise of average balance of bank borrowings which was partially offset by the drop of interest on discounting bill receivables.

FINANCIAL REVIEW – *CONTINUED*

Income tax expense

The Group's income tax expense increased by RMB2.5 million or 5.8% to RMB45.9 million with an effective tax rate of 16.3% (first half of 2018: 19.8%). A decrease on effective tax rate was mainly due to the increase in portion of profit contributed by a major subsidiary of the Group, Jiangsu Xingda, which enjoys a lower income tax rate as compared with other operating subsidiaries of the Group.

Net profit

Taking the above factors into account, the Group's net profit for the six months ended 30 June 2019 increased by 33.7% to RMB235.5 million (first half of 2018: RMB176.1 million). If the change in fair value of financial assets at fair value through profit or loss, deferred tax charges related to provision of withholding tax from non-operating activities and net exchange loss arising from non-operating activities were excluded, the adjusted net profit of the Group for the six months ended 30 June 2019 would be RMB220.0 million, representing an increase of RMB40.8 million or 22.8% when compared with the same period in the previous year.

Reconciliation of report profit and underlying profit

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Profit for the period	**235,541**	176,119
Change in fair value of financial assets at fair value through profit or loss	**(15,811)**	–
Deferred tax charges related to the provision of withholding tax	**–**	2,588
Net exchange loss arising from non-operating activities	**294**	534
Underlying profit for the period	**220,024**	179,241
Underlying profit for the period attributable to:		
Owners of the Company	**143,888**	130,309
Non-controlling interests	**76,136**	48,932
	220,024	179,241

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

During the period, there was no significant change in the Group's funding and treasury policy. The principal source of liquidity and capital resources was cash flow generated from operating activities and financial activities whereas the principal uses of cash were for placement of fixed bank deposits and the expansion of production capacity.

Bank balances and cash including bank deposits of the Group increased by RMB475.9 million from RMB1,104.4 million as at 31 December 2018 to RMB1,580.3 million as at 30 June 2019. The increase was due to the cash generated from operating activities of RMB663.5 million, financing activities of RMB950.2 million and effect of foreign exchange rate changes of RMB0.2 million exceeding the cash used in investment activities of RMB1,138.0 million.

Borrowings increased by RMB1,029.6 million or 79.5% to RMB2,324.0 million as at 30 June 2019 from RMB1,294.4 million as at 31 December 2018. The bank borrowings carry interest at market rates from 2.92% to 5.36% (first half of 2018: 1.85% to 5.00%). Borrowings of RMB2,024.0 million are repayable within one year from 30 June 2019 and the remaining borrowings of RMB300.0 million are repayable after one year from 30 June 2019.

As at 30 June 2019, the Group's current assets decreased by 0.6% to RMB7,454.5 million (31 December 2018: RMB7,498.6 million). Current liabilities increased by 13.8% to RMB5,778.9 million (31 December 2018: RMB5,077.8 million). The Group's current ratio (being defined as current assets over current liabilities) decreased to 1.29 times (31 December 2018: 1.48 times). The decrease was mainly caused by the increase in borrowings – due within one year and decrease in trade, bill and other receivables. The gearing ratio (being defined as total debts to total assets) replacement as at 30 June 2019 was 17.0% (31 December 2018: 10.1%).

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, US dollars and Euros. Part of the sales proceeds in US dollars and Euros have been used to purchase imported raw materials in the same currencies.

Apart from certain non-current assets and bank and debtors' balances in Thai baht, US dollars, Euros and Hong Kong dollars, most of the assets and liabilities of the Group were denominated in Renminbi. Therefore, the Group was not exposed to significant foreign exchange risk. The Group did not enter any financial derivative instruments to hedge against foreign exchange currency risk during the period under review. However, the Group is closely monitoring the impact of change in value of the Renminbi on its operations and may consider appropriate hedging solutions, if required.

CAPITAL EXPENDITURE

For the six months ended 30 June 2019, capital expenditure for property, plant and equipment amounted to RMB735.9 million (first half of 2018: RMB215.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had made a capital commitment of approximately RMB361.9 million (31 December 2018: RMB400.9 million) for acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorised but not contracted as at 30 June 2019 and 31 December 2018.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2019 and 31 December 2018 respectively.

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not have pledged bank deposits (31 December 2018: pledge of bank deposits in the amount of RMB52.0 million) to secure bill payables of the Group.

SIGNIFICANT INVESTMENTS

Pursuant to the placing letter signed by the Company on 2 October 2018, the Company has agreed to subscribe for 11,993,000 shares of Prinx Chengshan (Cayman) Holding Limited ("Prinx Chengshan", stock code: 01809), whose shares are listed on the Main Board of the Stock Exchange, at HK$5.89 per share in cash under the initial public offering. The total subscription money, after expenses, of approximately HK$71.4 million was satisfied by the internal resources of the Group. The above mentioned investment still exists and a change in fair value of financial assets at fair value through profit or loss of RMB15.8 million was recorded during the six months ended 30 June 2019. Save as disclosed above, the Group had no other significant investments for the six months ended 30 June 2019 and 2018 respectively.

OTHER COMMITMENTS

On 12 April 2019, Faith Maple International Ltd. ("Faith Maple"), a direct wholly-owned subsidiary of the Company, entered into a capital increase agreement with the 江蘇興宏達實業有限公司 (Jiangsu Xinghongda Industrial Ltd.*), 江蘇興達鋼簾線股份有限公司工會 (Labour Union of Jiangsu Xingda Steel Tyre Cord Co. Ltd.*) and 興化市興戴貿工農總公司 (Xinghua Xingdai Commercial and Industrial Company*), all of them were the existing non-controlling shareholders of Jiangsu Xingda, pursuant to which Faith Maple agreed to inject a total of RMB715,000,000 in cash to subscribe for 220,000,000 new shares of Jiangsu Xingda.

On 12 April 2019, Faith Maple entered into an equity transfer agreement with Jiangsu Xingda, pursuant to which Faith Maple agreed to transfer 90% equity interests in 江蘇興達特種金屬複合線有限公司 Jiangsu Xingda Special Cord to Jiangsu Xingda at a consideration of RMB676,345,300. Upon completion of the Equity Transfer, Jiangsu Xingda Special Cord will be owned as to 100% by Jiangsu Xingda and will remain as an indirect non-wholly owned subsidiary of the Company.

OTHER COMMITMENTS – *CONTINUED*

As a result of the above mentioned restructuring exercise, the Group's effective interest in Jiangsu Xingda Special Cord will decrease from approximately 96.95% to approximately 73.44% whereas the Group's effective interest in Jiangsu Xingda will increase from approximately 69.54% to approximately 73.44%. Details are set out in the Company's announcement dated 12 April 2019. As at 30 June 2019, the proposed restructuring was yet to complete.

* for identification only

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company had no material acquisitions and disposals in relation to its subsidiaries, associates and joint ventures for the six months ended 30 June 2019 and 2018 respectively.

HUMAN RESOURCES

As at 30 June 2019, the Group had approximately 7,200 full time employees (31 December 2018: approximately 6,800). Total staff costs including directors' remuneration for the six months ended 30 June 2019 was approximately RMB364.4 million (first half of 2018: approximately RMB323.9 million). Salaries are generally reviewed with reference to employees' merit, qualifications and competence. The calculation of bonuses was based on an evaluation of individual efforts and contributions to the financial performance of the Group. The Group also continues to provide training programs for staff to enhance their technical and product knowledge as well as awareness of industry quality standards.

In addition to salaries and bonuses, the Group also provides various benefits to employees through the Labour Union of Xingda ("Xingda Labour Union"). Each year, Jiangsu Xingda and Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") contributes 2% of the total salary of staff ("Union Fee") to support operation of the Xingda Labour Union. The Union Fee, together with other funds obtained by the Xingda Labour Union are used to provide a variety of welfare benefits and services to employees of the Group, including provision of staff quarters which employees may choose to purchase. For the six months ended 30 June 2019, the amount of Union Fees contributed by Jiangsu Xingda and Shandong Xingda to the Xingda Labour Union was RMB5.7 million (first half of 2018: RMB4.9 million).

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

HUMAN RESOURCES – *CONTINUED*

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

In 2010, 5,000,000 shares of the Company (the "First Batch Shares") were purchased by the trustee on the public market. In 2011, another 5,000,000 shares of the Company (the "Second Batch Shares") were purchased by the trustee on the public market. In 2013, 10,481,000 shares of the Company were purchased by the trustee on the public market, of which 5,000,000 shares were added to the Second Batch Shares and the remaining 5,481,000 shares were classified as the Third Batch Shares (the "Third Batch Shares"). In 2014, 4,519,000 shares of the Company were purchased by the trustee on the public market and were added to the Third Batch Shares. In 2016, 7,282,000 shares of the Company were purchased by the trustee on the public market (the "Fourth Batch Shares"). In 2017, 601,011 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. In 2018, 506,266 scrip shares allotted under the scrip dividend scheme of the Company as dividend derived from the shares held upon the trust in relation to the share award scheme were added to the Fourth Batch Shares. As at 30 June 2019, the balance of the Fourth Batch Shares was 5,222,277 shares.

As at 30 June 2019, all the First Batch Shares, the Second Batch Shares, the Third Batch Shares and one-third of Fourth Batch Shares have been vested with selected employees. The remaining two-third of Fourth Batch Shares are expected to be vested with selected employees in a two-year period from 2020 to 2021.

PROSPECTS

2019 is the fourth year of China's 13th Five-Year Plan. With the Sino-US trade conflicts looming, the economic indicators of major economies worldwide have remained weak. Heeding that, the Chinese government has proposed to adopt the policy direction of "maintaining stable growth, preventing risks, making structural adjustments, pursuing progress while ensuring stability", and will implement a series of measures including tax reduction and infrastructure investments. As such, the Chinese economy is expected to remain relatively stable and resilient in the future.

As a leader of tire cord production, Xingda has insisted on accelerating technological innovation, improving product quality, and controlling costs effectively. Also, with its management having shrewd foresight and able to seize first opportunity to tap new markets, boost domestic and overseas demand and with the operation of a factory in Thailand expected in the second half of 2019 to avert operational risks while meeting steadily growing market demand in the Pan Pacific Region, the Group is expected to achieve stable sales growth in the increasingly complex market environment.

Looking ahead, the Group will keep a close watch on the global environment and changes in the macro market to prepare for various comprehensive response plans and timely adjust its strategic global deployment. Applying its unique competitive advantages and strong capital, plus embracing international operation concepts, Xingda will endeavor to develop premium quality products and technologies. It will also seize opportunities to open up new markets and enhance its competitiveness. Construction of the new factory in Thailand will enable the Group to expand production capacity and extend its industrial chain in Asia, which can help consolidate its standing as a leading radial tire cords manufacturer and create long-term satisfactory returns for all shareholders.

INTERIM DIVIDEND

The board of directors of the Company does not recommend for the payment of interim dividend for the six months ended 30 June 2019.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code"), were as follows:

(1) Long positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of issued share capital of the Company as at 30 June 2019 *(note 5)*
Liu Jinlan	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 1)*	629,879,000	42.202%
Liu Xiang	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 2)*	629,879,000	42.202%
Tao Jinxiang	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 3)*	629,879,000	42.202%
Zhang Yuxiao	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 4)*	629,879,000	42.202%
Koo Fook Sun, Louis	Beneficial owner	311,785	0.021%
William John Sharp	Beneficial owner	283,000	0.019%
Xu Chunhua	Beneficial owner	50,000	0.003%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – *CONTINUED*

(1) Long positions in shares, underlying shares and debentures of the Company – *Continued*

Notes:

1. Mr. Liu Jinlan held 30,800,000 shares in his own name as at 30 June 2019. Mr. Liu Jinlan owned 100% of the issued share capital of Great Trade Limited for and on behalf of the 98 Owners (as defined in the prospectus of the Company dated 8 December 2006 (the "Prospectus")) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2019, Great Trade Limited held 242,148,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Jinlan was deemed to be interested in the shares held by Great Trade Limited. Mr. Liu Jinlan was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

2. Mr. Liu Xiang held 5,300,000 shares in his own name as at 30 June 2019. Mr. Liu Xiang owned 100% of the issued share capital of In-Plus Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2019, In-Plus Limited held 138,064,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Liu Xiang was deemed to be interested in the shares held by In-Plus Limited. Mr. Liu Xiang was also a party to the Five Parties' Agreement, and was deemed to be interested in shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

3. Mr. Tao Jinxiang held 4,864,000 shares in his own name as at 30 June 2019. Mr. Tao Jinxiang owned 100% of the issued share capital of Perfect Sino Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2019, Perfect Sino Limited held 112,229,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Tao Jinxiang was deemed to be interested in the shares held by Perfect Sino Limited. Mr. Tao Jinxiang was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

4. Mr. Zhang Yuxiao held 2,267,000 shares in his own name as at 30 June 2019. Mr. Zhang Yuxiao owned 100% of the issued share capital of Power Aim Limited for and on behalf of the 98 Owners (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement. As at 30 June 2019, Power Aim Limited held 41,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Zhang Yuxiao was deemed to be interested in the shares held by Power Aim Limited. Mr. Zhang Yuxiao was also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Hang Youming) were interested for the purpose of Part XV of the SFO.

5. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2019, i.e. 1,492,531,072 shares.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – *CONTINUED*

(2) Long position in shares and underlying shares of the associated corporation of the Company

Name of Director	Capacity	Associated corporation	Number of ordinary shares in associated corporation	Approximate percentage of registered capital of the associated corporation as at 30 June 2019
Zhang Yuxiao	Beneficial Owner	Jiangsu Xingda Steel Tyre Cord Co., Ltd.	1,114	0.000074%

Save as disclosed above, as at 30 June 2019, none of the Directors, the chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and for the share award scheme adopted by the Company, at no time during the six months ended 30 June 2019 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate. Details of movements of the shares granted under the share award scheme for the six months ended 30 June 2019 are set out in note 21 to the condensed consolidated financial statements.

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

As at 30 June 2019, the interests of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	**Capacity**	**Number of ordinary shares**	**Approximate percentage of issued share capital of the Company as at 30 June 2019** *(note 4)*
Great Trade Limited	Beneficial owner	242,148,000	16.22%
In-Plus Limited	Beneficial owner	138,064,000	9.25%
Perfect Sino Limited	Beneficial owner	112,229,000	7.52%
Hang Youming	Beneficial owner, a concert party to an agreement to buy shares described in s.317(1)(a) of the SFO *(note 1)*	629,879,000	42.20%
JP Morgan Chase & Co.	Interests of controlled corporations *(note 2)*		
	– Long positions	74,827,368	5.01%
	– Short positions	1,550,447	0.10%
	Approved lending agent	72,957,068	4.89%
FIL Limited	Interests of controlled corporations *(note 3)*	74,699,000	5.00%
Pandanus Associates Inc.	Interest of a controlled corporation *(note 3)*	74,699,000	5.00%
Pandanus Partners L.P.	Interest of a controlled corporation *(note 3)*	74,699,000	5.00%

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

Long positions in shares and underlying shares of the Company – *Continued*

Notes:

1. As recorded in the register of substantial shareholders maintained by the Company, Mr. Hang Youming held 10,757,000 shares in his own name as at 30 June 2019. Mr. Hang Youming owned 100% of the issued share capital of Wise Creative Limited for and on behalf of the 98 Owners (as defined in the Prospectus) (including himself) and Mr. Wu Xinghua subject to the terms of the Five Parties' Agreement (as defined in the Prospectus). As at 30 June 2019, Wise Creative Limited held 41,725,000 shares in the Company. For the purpose of Part XV of the SFO, Mr. Hang Youming was deemed to be interested in the shares held by Wise Creative Limited. Mr. Hang Youming is also a party to the Five Parties' Agreement, and was deemed to be interested in the shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang and Mr. Zhang Yuxiao) were interested for the purpose of Part XV of the SFO.

2. For the purpose of Part XV of the SFO, JP Morgan Chase & Co. was deemed to be interested in the 74,827,368 shares in the Company held by its controlled corporations as at 30 June 2019.

3. Pandanus Associates Inc. owned 100.00% of the issued share capital of Pandanus Partners L.P., which in turn owned 38.69% of the issued share capital of FIL Limited. FIL Limited owned 100% of the issued share capital of FIL Asia Holdings Pte Limited, which in turn owned 100% of the issued share capital of FIL Investment Management (Singapore) Limited. As at 30 June 2019, FIL Investment Management (Singapore) Limited held 74,699,000 shares in the Company. For the purpose of Part XV of the SFO, Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited are deemed to be interested in the shares in the Company held by FIL Investment Management (Singapore) Limited.

4. The percentages disclosed above were based on the total number of issued shares of the Company as at 30 June 2019, i.e. 1,492,531,072 shares.

Save as aforesaid and as disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 30 June 2019 which are required to be recorded in the register maintained under section 336 of the SFO.

DEED OF NON-COMPETITION

On 4 December 2006, (i) Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder), (ii) the then Directors, and (iii) the 98 Owners (as defined in the Prospectus) (not being controlling shareholders) (collectively the "Covenantors"), as covenantors, entered into a deed of non-competition ("Non-competition Deed") in favour of the Company pursuant to which each of the Covenantors has undertaken to the Company (for itself and for the benefits of its subsidiaries) that, among other matters, it shall not, and shall procure that his/her/its associates will not, directly or indirectly be interested or involved or engaged in or acquire or hold any right or interest in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business of the Group. Details of the terms of the Non-competition Deed have been set out in the paragraph headed "Deed of non-competition entered into by the controlling shareholder" under the section headed "Controlling shareholder and substantial shareholders" of the Prospectus.

DEED OF NON-COMPETITION – *CONTINUED*

The Company has received the declaration for the six months ended 30 June 2019 from Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Great Trade Limited, In-Plus Limited, Perfect Sino Limited, Power Aim Limited and Wise Creative Limited (together as a controlling shareholder) in respect of their respective compliance with the terms of the Non-competition Deed.

The Directors have confirmed that they have not engaged in any business which competes or is likely to compete with the business of the Group, and the Directors are not aware that any of the Covenantors or their respective associates has engaged in any business which competes or is likely to compete with the business of the Group.

The independent non-executive Directors have reviewed the declaration and are not aware that any of the Covenantors or their respective associates has engaged in any business which competes or is likely to compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019, except for the following:–

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

USE OF PROCEEDS

The net proceeds from the Company's offering of new shares at its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") amounting to approximately HKD1,087 million are intended to be applied for the following purposes:

- approximately HKD550 million is intended for the expansion of the production capacity of the production facilities;
- approximately HKD70 million is intended for the installation of a manufacturing execution system (MES) and logistics management system;
- approximately HKD250 million is intended for implementing the overseas expansion strategies through acquisition of suitable business targets;
- approximately HKD180 million is intended for the set-up of international development departments; and
- the remaining balance of approximately HKD37 million is intended to be used as general working capital.

USE OF PROCEEDS – *CONTINUED*

Up to 30 June 2019, the Group has utilised approximately HKD698 million of the net proceeds and the details are as follows:

	Proposed uses of fund as stated in the Prospectus *HKD'000*	Actual uses of funds up to 30 June 2019 *HKD'000*	Balance of net proceeds as at 30 June 2019 *HKD'000*
Expansion of the production capacity of the production facilities	550,000	550,000	–
Installation of a manufacturing execution system (MES) and logistics management system	70,000	17,870	52,130
Implementing the overseas expansion strategies through acquisition of suitable business targets	250,000	–	250,000
Set-up of international development departments	180,000	93,051	86,949
Working capital	37,000	37,000	–
Total	1,087,000	697,921	389,079

The remaining amount of approximately HKD389 million was placed in short term deposits with licensed banks in Hong Kong and the People's Republic of China. The Group intends to apply the use of proceeds in accordance with that as disclosed in the Prospectus.

The net proceeds of approximately HKD740,700,000 from the placing and top-up subscription arrangement completed in September 2010 were also placed in short term deposits with licensed banks in Hong Kong. As at 30 June 2019, all the net proceeds were utilised for enhancing the production facilities of a non-wholly owned subsidiary of the Company and financing the working capital.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. William John Sharp and Ms. Xu Chunhua. The chairman of the Audit Committee is Mr. Koo Fook Sun, Louis.

The Audit Committee of the Company together with the external auditor and the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 30 June 2019.

By Order of the Board
XINGDA INTERNATIONAL HOLDINGS LIMITED

Liu Jinlan
Chairman

Shanghai, the PRC, 22 August 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
XINGDA INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Xingda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 58, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
	NOTES	**2019**	2018
		(unaudited)	*(unaudited)*
		RMB'000	*RMB'000*
Revenue	4	**3,769,152**	3,677,652
Cost of sales		**(3,044,896)**	(3,060,101)
Gross profit		**724,256**	617,551
Other income	5	**51,310**	80,588
Other gains and losses, net	6	**5,637**	(21,922)
Government grants	7	**7,967**	5,798
Distribution and selling expenses		**(266,797)**	(234,838)
Administrative expenses		**(179,433)**	(170,266)
Research and development expenses		**(44,677)**	(30,570)
Finance costs	8	**(16,862)**	(26,864)
Profit before tax		**281,401**	219,477
Income tax expense	9	**(45,860)**	(43,358)
Profit and total comprehensive income for the period	10	**235,541**	176,119
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**159,405**	127,187
Non-controlling interests		**76,136**	48,932
		235,541	176,119
Earnings per share	12		
– basic (RMB fen)		**10.68**	8.57
– diluted (RMB fen)		**10.67**	8.57

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,316,900**	3,843,962
Right-of-use assets	13	**356,620**	–
Prepaid lease payments		**–**	344,708
Investment properties	13	**153,960**	153,960
Fixed bank deposits with more than three months to maturity when placed		**1,300,000**	900,000
Deferred tax assets		**20,566**	17,321
Prepayments	14	**28,463**	29,963
		6,176,509	5,289,914
CURRENT ASSETS			
Inventories		**621,066**	679,911
Trade, bill and other receivables	15	**4,765,132**	5,494,726
Financial assets at fair value through profit or loss		**76,060**	60,249
Prepaid lease payments		**–**	7,315
Fixed bank deposits with more than three months to maturity when placed		**412,000**	100,000
Pledged bank deposits		**–**	52,000
Bank balances and cash		**1,580,288**	1,104,447
		7,454,546	7,498,648
CURRENT LIABILITIES			
Trade, bill and other payables	16	**3,452,492**	3,829,080
Contract liabilities	17	**37,524**	31,845
Amount due to a related company		**2,711**	1,620
Dividend payables to non-controlling interests of a subsidiary		**26,776**	27,195
Dividend payables		**197,077**	–
Tax liabilities		**37,770**	43,597
Borrowings – due within one year	18	**2,024,038**	1,144,443
Lease liabilities		**525**	–
		5,778,913	5,077,780
NET CURRENT ASSETS		**1,675,633**	2,420,868
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,852,142**	7,710,782

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	**As at 30 June 2019 (unaudited) RMB'000**	As at 31 December 2018 (audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,254**	12,327
Borrowings – due after one year	18	**300,000**	150,000
Lease liabilities		**1,344**	–
		313,598	162,327
NET ASSETS		**7,538,544**	7,548,455
CAPITAL AND RESERVES			
Share capital	19	**148,388**	148,388
Share premium and other reserves		**5,267,048**	5,302,835
Equity attributable to owners of the Company		**5,415,436**	5,451,223
Non-controlling interests		**2,123,108**	2,097,232
TOTAL EQUITY		**7,538,544**	7,548,455

The condensed consolidated financial statements on pages 23 to 58 were approved and authorised for issue by the Board of Directors on 22 August 2019 and are signed on its behalf by:

LIU JINLAN
DIRECTOR

ZHANG YUXIAO
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share Capital	**Share premium**	**Special reserve**	**Capital contribution reserve**	**Statutory common reserve**	**Capital redemption reserve**	**Retained profits**	**Shares held under share-award scheme**	**Awarded shares compensation reserve**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000* (*Note a*)	*RMB'000* (*Note b*)	*RMB'000* (*Note c*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018 (audited)	147,923	264,802	285,126	(130,150)	710,867	7,150	4,089,720	(20,072)	11,961	5,367,327	2,065,506	7,432,833
Adjustment (*see Note 4*)	–	–	–	–	–	–	(12,646)	–	–	(12,646)	–	(12,646)
At 1 January 2018 (restated)	147,923	264,802	285,126	(130,150)	710,867	7,150	4,077,074	(20,072)	11,961	5,354,681	2,065,506	7,420,187
Profit and total comprehensive income for the period	–	–	–	–	–	–	127,187	–	–	127,187	48,932	176,119
Dividend recognised as distribution (*note 11*)	–	(186,143)	–	–	–	–	–	–	–	(186,143)	–	(186,143)
Dividend to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	(45,690)	(45,690)
Repurchase of ordinary shares (*note 19*)	(163)	(4,517)	–	–	–	163	(163)	–	–	(4,680)	–	(4,680)
Shares vested under the share-award scheme	–	–	–	–	–	–	2,456	8,021	(10,477)	–	–	–
Recognition of equity-settled share based payments (*note 21*)	–	–	–	–	–	–	–	–	2,635	2,635	–	2,635
At 30 June 2018 (unaudited)	147,760	74,142	285,126	(130,150)	710,867	7,313	4,206,554	(12,051)	4,119	5,293,680	2,068,748	7,362,428
At 1 January 2019 (restated)	148,388	88,531	285,126	(130,150)	751,483	8,342	4,303,563	(12,051)	7,991	5,451,223	2,097,232	7,548,455
Profit and total comprehensive income for the period	–	–	–	–	–	–	159,405	–	–	159,405	76,136	235,541
Dividend recognised as distribution (*note 11*)	–	(88,531)	–	–	–	–	(108,546)	–	–	(197,077)	–	(197,077)
Dividend to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	(50,260)	(50,260)
Shares vested under the share-award scheme	–	–	–	–	–	–	–	8,676	(8,676)	–	–	–
Recognition of equity-settled share based payments (*note 21*)	–	–	–	–	–	–	–	–	1,885	1,885	–	1,885
At 30 June 2019 (unaudited)	**148,388**	**–**	**285,126**	**(130,150)**	**751,483**	**8,342**	**4,354,422**	**(3,375)**	**1,200**	**5,415,436**	**2,123,108**	**7,538,544**

Note a: Special reserve represents (i) the difference between the paid-in capital of Faith Maple International Ltd. ("Faith Maple") acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares; (ii) the difference between the consideration paid by Faith Maple and the net carrying amount of equity interest in Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xinda") at date of acquisition; (iii) the difference between the net carrying amount of additional 24.5% equity interest ("equity interest") in Shandong Xingda Steel Tyre Cord Co., Ltd. ("Shandong Xingda") and the fair value of consideration paid in relation to the acquisition of the equity interest.

Note b: Capital contribution reserve represents deemed distribution to shareholders for the acquisition of equity interest in Jiangsu Xingda and contribution received from shareholders.

Note c: According to the Articles of Association of the PRC subsidiaries they are required to transfer 10% of the profit after tax to the statutory common reserve until the reserve reaches 50% of the registered capital. Transfer to this fund must be made before distributing dividends to shareholders. The statutory common reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(unaudited)	*(unaudited)*
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**281,401**	219,477
Depreciation of property, plant and equipment	**259,958**	262,556
Amortisation of prepaid lease payments	**–**	3,565
Depreciation of right-of-use assets	**3,881**	–
Recognition of equity-settled share-based payments	**1,885**	2,635
Decrease in inventories	**58,845**	15,993
Decrease in trade, bill and other receivables	**699,585**	351,556
Change in fair value of financial assets at fair value through profit or loss	**(15,811)**	–
Decrease in trade, bill and other payables	**(586,792)**	(621,041)
Increase in contract liabilities	**5,679**	6,002
Income taxes paid	**(55,005)**	(35,686)
Other operating cash flows	**9,919**	14,847
NET CASH FROM OPERATING ACTIVITIES	**663,545**	219,904
INVESTING ACTIVITIES		
Placement of fixed bank deposits	**(1,212,000)**	–
Purchases of property, plant and equipment	**(514,002)**	(234,261)
Payments for right-of-use assets	**(21,239)**	(21,936)
Withdrawal of fixed bank deposits	**500,000**	–
Interest received	**56,196**	1,675
Withdrawal of pledged bank deposits	**52,000**	54,000
Proceeds on disposal of property, plant and equipment	**1,052**	1,826
Placement of pledged bank deposits	**–**	(75,000)
NET CASH USED IN INVESTING ACTIVITIES	**(1,137,993)**	(273,696)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**1,530,010**	452,000
Repayments of bank and other borrowings	**(500,620)**	(294,202)
Dividend paid to non-controlling interests of a subsidiary	**(50,679)**	(20,258)
Interest paid	**(28,519)**	(25,994)
Repayment of lease liabilities	**(108)**	–
Payment on repurchase of ordinary shares	**–**	(4,680)
NET CASH FROM FINANCING ACTIVITIES	**950,084**	106,866
NET INCREASE IN CASH AND CASH EQUIVALENTS	**475,636**	53,074
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,104,447**	756,985
Effect of foreign exchange rate changes	**205**	–
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**1,580,288**	810,059

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Xinghua City, Jiangsu Province, the People's Republic of China (the "PRC").

The condensed consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company and its subsidiaries (the "Group").

The Company is an investment holding company and its subsidiaries are engaged in the manufacture and trading of radial tire cords, bead wires and other wires.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

Application of new and amendments to IFRS Standards – *Continued*

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/of the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 – Continued

As a lessee – *Continued*

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, including the leasing of office cabinet and car for Xingda Steel Cord (Thailand) Company Limited, a non-wholly owned subsidiary of the Company, which applies the recognition exemption for lease of short-term leases. Lease payments on short-term leases are recognised as expenses on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date of underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 – Continued

As a lessee – *Continued*

Right-of-use assets– *Continued*

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. No adjustments to fair value at initial recognition are recorded considered necessary as the amounts are insignificant.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. After the commencement date, lease liabilities are adjusted by interest accretion and lease payment.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 – Continued

As a lessee – *Continued*

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities. The Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount at the effective date of the modification.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 – Continued

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 – Continued

As a lessee – *Continued*

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

At 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amount equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.35%.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 – Continued

As a lessee – *Continued*

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	267
Lease liabilities discounted at relevant incremental borrowing rates	259
Add: Lease liabilities resulting from lease modifications of existing leases#	1,980
Less: Recognition exemption – short-term leases	(300)
Lease liabilities relating to operating leases recognised upon Application of IFRS 16	1,939
Analysed as	
Current	414
Non-current	1,525
	1,939

The Group renewed the lease of an office premise by entering into a new lease contract which commence after date of initial application, this new contract is accounted as lease modification of the existing contract upon application of IFRS 16.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 – Continued

As a lessee – *Continued*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	1,939
Reclassified from prepaid lease payments *(note)*	352,023
	353,962
By class:	
Leasehold lands	352,023
Buildings	1,939
	353,962

Note:

Upfront payments for leasehold lands in the PRC and Thailand were reclassified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB7,315,000 and RMB344,708,000 respectively were reclassified to right-of-use assets.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 – Continued

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustment is recorded to refundable rental deposits received as the impact is insignificant.

(c) Effective on 1 January 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

There is no impact of transition to IFRS 16 on retained profits at 1 January 2019.

3. PRINCIPAL ACCOUNTING POLICIES – *CONTINUED*

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *Continued*

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 – Continued

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported at 31 December 2018**	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Prepaid lease payments	(a)	344,708	(344,708)	–
Right-of-use assets	(a)	–	346,201	346,201
Current assets				
Prepaid lease payments	(a)	7,315	(7,315)	–
Right-of-use assets	(a)	–	7,761	7,761
Current liabilities				
Lease liabilities		–	414	414
Non-current liabilities				
Lease liabilities		–	1,525	1,525

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

There is no impact on lessor's accounting under IFRS 16 for the condensed consolidated financial statements of the Group for the current period.

4. REVENUE AND SEGMENT INFORMATION

Revenue

(a) Disaggregation of revenue

The following is an analysis of the Group's revenues from its major products:

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Sale of products		
Radial Tire Cords		
– For trucks	**2,176,090**	2,198,808
– For passenger cars	**1,164,123**	1,038,029
Bead wires and other wires	**428,939**	440,815
	3,769,152	3,677,652
Timing of revenue recognition		
A point in time	**3,769,152**	3,677,652

The contracts for sales of goods to external customers are short-term and the contract prices are agreed and fixed with the customers.

The Group's customers were tyre manufacturers in the PRC and other countries.

4. REVENUE AND SEGMENT INFORMATION – *CONTINUED*

Segment information

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

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
The PRC	**4,142,461**	4,173,698
Thailand	**713,482**	198,895
	4,855,943	4,372,593

Geographical information

Information about the Group's revenue from operations from external customers is presented based on the location of the goods delivered.

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
The PRC (country of domicile)	**2,733,714**	2,790,942
India	**190,098**	196,277
United States of America	**137,357**	137,506
Korea	**95,974**	67,107
Germany	**46,471**	33,211
Others	**565,538**	452,609
	3,769,152	3,677,652

"Others" included revenue from various countries which are individually less than 10% of the Group's total revenue.

No customers contributes over 10% of the total revenue of the Group for the six months ended 30 June 2019 and 2018.

5. OTHER INCOME

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Sales of scrap materials	**15,592**	27,446
Interest income earned on bank balances and bank deposits	**25,605**	19,637
Rental income from investment properties, net	**2,472**	2,808
Dividend income from financial assets at fair value through profit or loss	**2,516**	–
Waiver of trade payables (Note)	**–**	24,811
Sundry income	**5,125**	5,886
	51,310	80,588

Note: The amount represented the waiver of outstanding trade payable to a supplier based on the decision of the court for the poor quality of goods supplied.

6. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Impairment losses recognised on trade and other receivables	**15,523**	6,639
Change in fair value of financial assets at fair value through profit or loss	**(15,811)**	–
Net foreign exchange (gain) and loss	**(5,897)**	15,596
Loss on disposal of property, plant and equipment	**1,953**	846
Impairment loss reversed on trade and other receivables	**(1,405)**	(1,159)
	(5,637)	21,922

7. GOVERNMENT GRANTS

Government grants represent incentive subsidies received by the Group from The People's Government of Xinghua Municipality 興化市人民政府 for technology improvement on production skills and research on new products during the six months ended 30 June 2019 and 2018. For government grants received in the current period with no future related cost or without any conditions, amounting to approximately RMB7,967,000 (for the six months ended 30 June 2018: RMB5,798,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

8. FINANCE COSTS

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Interests on:		
Bank loans and other borrowings	**26,169**	22,843
Bill receivables discounted	**1,674**	4,021
Finance cost on lease liabilities	**38**	–
	27,881	26,864
Less: amounts capitalised in the cost of qualifying assets	**(11,019)**	–
	16,862	26,864

Borrowing costs capitalised during the current interim period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.92% (for the six months ended 30 June 2018: Nil) per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current tax		
Current period	**42,543**	39,705
Underprovision in prior year	**–**	1,283
Deferred tax	**3,317**	2,370
	45,860	43,358

Current tax provision represents provision for PRC Enterprise Income tax ("PRC EIT") which is calculated at the rate prevailing on the taxable income of the group entities in the PRC. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate for certain PRC subsidiaries is 25% from 1 January 2008 onwards, except for the subsidiary described below.

In accordance with the renewed High-tech Enterprise Certificate issued on 24 October 2018, Jiangsu Xingda Steel Tyre Cord Co. Ltd. ("Jiangsu Xingda") is continued to entitle the tax incentive as High-tech Enterprise and accordingly, the status of High-tech Enterprise is to be effective for the years 2018, 2019 and 2020. As a result, the tax rate of 15% is used to calculate the amount of current and deferred tax for the six months ended 30 June 2019 and the year ended 31 December 2018.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards at a tax rate of 10%.

In the current interim period, a deferred tax charge of approximately RMB3,317,000 (2018: RMB2,370,000) was provided in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of Jiangsu Xingda Special Cord Co., Ltd. ("Jiangsu Xingda Special Cord"), a non-wholly owned subsidiary of the Company, the aggregate amount of taxable temporary differences associated with undistributed earnings of other subsidiaries for which deferred tax liabilities have not been recognised was RMB3,219,475,000 (31 December 2018: RMB3,220,362,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both periods.

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**259,958**	262,556
Amortisation of prepaid lease payments	**–**	3,565
Depreciation of right-of-use assets	**3,881**	–

11. DIVIDENDS

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend in respect of the year ended 31 December 2018 – 15.0 HK cents per share (2018: final dividend in respect of the year ended 31 December 2017 – 15.0 HK cents per share)	**197,077**	186,143

During the current interim period, a final dividend of 15.0 HK cents per ordinary share in an aggregate amount of RMB197,077,000 for the year ended 31 December 2018 was approved at the annual general meeting of the Company held on 28 May 2019.

The directors of the Company have determined that no dividend will be paid in respect of the 2019 interim period (2018: Nil).

12. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company	**159,405**	127,187
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,492,531**	1,484,617
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**1,346**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,493,877**	1,484,617

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 21.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately RMB3,005,000 (for the six months ended 30 June 2018: RMB2,672,000) for cash proceeds of approximately RMB1,052,000 (for the six months ended 30 June 2018: RMB1,826,000), resulting in a loss on disposal of RMB1,953,000 (for the six months ended 30 June 2018: RMB846,000).

In addition, during the period the Group had additions of property, plant and equipment of approximately RMB735,901,000 (for the six months ended 30 June 2018: RMB251,851,000) on the construction of its manufacturing plant in Thailand and the acquisition of other plant, machinery and equipment in order to upgrade its manufacturing capabilities in the PRC. Borrowing costs of RMB11,019,000 has been capitalised in these qualifying assets during the period ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

As at 1 January 2019, the Group's prepaid lease payments for land use rights in the PRC and Thailand were reclassified to right-of-use assets with carrying amount of RMB352,023,000. Details are set out in note 3.1.2.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES – *CONTINUED*

The fair value of the Group's investment properties as at 31 December 2018 has been arrived at on the basis of a valuation carried out on 31 December 2018 by Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group.

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

The key inputs used in valuing the investment properties were the market yield 5% (2018: 5%) and rental. Slight increases in the market yield and rental would result in a significant decrease and increase, respectively, in fair value measurement of the investment properties, and vice versa.

The fair value of investments properties at 30 June 2019 were assessed by the Group by adopting the direct comparison approach with reference to recent transactions for similar premises as far as practicable.

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's investment properties as at the end of the current interim period does not differ significantly from their estimated fair value. Consequently, no gain on fair value changes has been recognised in the current interim period.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES – *CONTINUED*

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 3
	RMB'000
Office premises located in Shanghai	153,960

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

14. PREPAYMENTS

The amounts represents the prepayment of road maintenance and management fee of approximately RMB31,463,000 (31 December 2018: RMB32,963,000) for a period of 10.49 years (31 December 2018: 10.99 years).

As at 30 June 2019, an amount of RMB3,000,000 (31 December 2018: RMB3,000,000) was included in trade and other receivables as current asset as that portion will be recognised as an expenses within twelve months after the reporting date while the remaining RMB28,463,000 (31 December 2018: RMB29,963,000) was classified as non-current assets which will be recognised as expenses over twelve months after the reporting date.

15. TRADE, BILL AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates.

The Group accepts bills from various local customers as settlement when the trade receivables fall due. Before accepting the bills, the Group would confirm with the relevant banks on the validity of the bills. It is the Group's practice to utilise bills received to settle certain of its debts. The aged analysis of bill receivables is presented based on the invoice date of trade receivables as at the end of the reporting period which approximated the respective revenue recognition dates.

15. TRADE, BILL AND OTHER RECEIVABLES – *CONTINUED*

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Trade receivables – goods	**2,518,359**	2,795,407
Less: Allowance for credit losses	**(111,518)**	(110,046)
	2,406,841	2,685,361
Bill receivables	**2,212,705**	2,627,955
	4,619,546	5,313,316
Advances to raw material suppliers	**23,516**	25,697
Prepayment for spools	**16,209**	31,189
Interest receivables from fixed bank deposits with more than three months to maturity when placed	**51,411**	82,002
Other receivables and prepayments	**59,711**	48,163
Less: Allowance for credit losses on other receivables	**(5,261)**	(5,641)
	145,586	181,410
	4,765,132	5,494,726

15. TRADE, BILL AND OTHER RECEIVABLES – *CONTINUED*

The following is an aged analysis of trade and bill receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	As at 30 June 2019	As at 31 December 2018
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Trade receivables		
0 – 90 days	**1,857,904**	1,899,567
91 – 120 days	**235,557**	278,767
121 – 180 days	**201,865**	329,103
181 – 360 days	**111,482**	177,924
Over 360 days	**33**	–
	2,406,841	2,685,361
Bill receivables		
0 – 90 days	**258,778**	301,037
91 – 180 days	**940,735**	860,253
181 – 360 days	**921,056**	1,297,774
Over 360 days	**92,136**	168,891
	2,212,705	2,627,955

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the current interim period, the Group recognised an additional impairment allowance of RMB2,877,000 based on the provision matrix and certain debtors were assessed individually and impairment allowance of RMB12,646,000 was made on these debtors for the current interim period. There is a reversal of allowance for credit loss amounted to RMB1,405,000 on those trade debtors being recovered for the six months ended 30 June 2019.

16. TRADE, BILL AND OTHER PAYABLES

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Trade payables	**1,829,332**	2,372,995
Bill payables	**746,000**	690,000
	2,575,332	3,062,995
Value-added tax payables and other tax payables	**–**	56,356
Accrued staff costs and pension	**179,926**	223,943
Payables for purchase of property, plant and equipment	**602,159**	391,279
Accrued interest expenses	**2,470**	3,146
Accrued electricity charges	**49,718**	51,962
Others	**42,887**	39,399
	877,160	766,085
	3,452,492	3,829,080

16. TRADE, BILL AND OTHER PAYABLES – *CONTINUED*

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

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Trade payables		
0 – 90 days	**1,080,972**	1,391,144
91 – 180 days	**334,668**	577,156
181 – 360 days	**303,771**	308,100
Over 360 days	**109,921**	96,595
	1,829,332	2,372,995
Bill payables		
0 – 90 days	**102,524**	–
91 – 180 days	**643,476**	630,296
181 – 360 days	**–**	59,704
	746,000	690,000

All Group's trade payables are denominated in the functional currency of the group entities.

The average credit period on purchase of goods is 90 days which may be extended to 120 days or 180 days based on negotiation between the suppliers and the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

17. CONTRACT LIABILITIES

	30 June 2019 RMB'000	31 December 2018 RMB'000
Sales of radial tire cords	**37,524**	31,845

The amount represented the trade deposits received from customers, which will be recognised as the Group's revenue when the control of the goods transferred to customers.

18. BORROWINGS

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Bank loans	**2,296,538**	1,241,943
Other loans	**27,500**	52,500
	2,324,038	1,294,443
Secured	**264,027**	291,637
Unsecured	**2,060,011**	1,002,806
	2,324,038	1,294,443

The Group's borrowings are repayable as follow:

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Carrying amounts repayable (based on scheduled repayment terms)		
Within one year	**2,024,038**	1,144,443
More than two years, but not more than five years	**300,000**	150,000
	2,324,038	1,294,443
Less: Amounts due shown under non-current liabilities	**(300,000)**	(150,000)
	2,024,038	1,144,443

During the current period, new other loan of RMB27,500,000 was borrowed (for the six months ended 30 June 2018: RMB600,000) from a financial institute in Xinghua City, the PRC, an independent third party. The other loans are unsecured, carried interest at a fixed monthly rate of 0.326% (2018: 0.417%) and are repayable in one year. The proceeds were used as working capital. Other loans of RMB52,500,000 (for the six months ended 30 June 2018: RMB1,200,000) were repaid during the period ended 30 June 2019.

18. BORROWINGS – *CONTINUED*

During the current period, the Group obtained new bank loans amounting to RMB1,502,510,000 (for the six months ended 30 June 2018: RMB451,400,000). The loans carry interest at market rates. The proceeds were used as working capital. The Group repaid bank loans amounting to RMB448,120,000 (for the six months ended 30 June 2018: RMB293,002,000) during the period ended 30 June 2019.

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

	As at 30 June 2019	As at 31 December 2018
Effective interest rates:		
Fixed-rate borrowings	**2.92% – 5.20%**	2.92% – 4.79%
Variable-rate borrowings	**3.92% – 5.36%**	3.21% – 4.41%

The Company has given corporate guarantee to a bank to obtain certain of the above bank borrowings.

19. SHARE CAPITAL

	Number of shares		**Share capital**	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	'000	*'000*	***RMB'000***	*RMB'000*
Authorised:				
3 billion ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**301,410**	301,410
Issued and fully paid:				
At beginning of period	**1,492,531**	1,486,396	**148,388**	147,923
Issue of scrip shares	**–**	19,829	**–**	1,657
Shares repurchased and cancelled	**–**	(13,694)	**–**	(1,192)
At end of period	**1,492,531**	1,492,531	**148,388**	148,388

20. CAPITAL COMMITMENTS

	As at 30 June 2019	As at 31 December 2018
	(unaudited)	*(audited)*
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**361,852**	400,855

21. SHARE-AWARD SCHEME

The Company's share-award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 4 September 2009 for the primary purpose of providing incentives to the participants of the Scheme (the "Participants") including the Directors and certain employees of the Group, to achieve performance goals which in turn achieve the objectives of increasing the value of the Group and align the interests of Directors and eligible employees directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the Participants in accordance to the rules of the Scheme.

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

	Number of shares
	Awarded shares granted in 2016 *(Note)*
Outstanding as at 1 January 2019	10,000,000
Vested during the period	(3,333,334)
Outstanding as at 30 June 2019	6,666,666

Note: The awarded shares granted in 2016 would be vested in tranches of 3,333,334 shares, 3,333,334 shares and 3,333,332 shares annually over a period of three years from 2019 to 2021, respectively.

The Group recognised the total expenses of approximately RMB1,885,000 for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB2,635,000) in relation to shares granted under the Scheme by the Company.

22. RELATED PARTY TRANSACTIONS

During the period, the Group entered into significant transactions with a related party as follows:

Name of related party	Nature of transaction	*Note*	Six months ended 30 June **2019** **(unaudited)** **RMB'000**	2018 (unaudited) RMB'000
Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd. ("Xingda Xiu Yuan")	Services fee for hotel and catering services	(a)	**1,741**	2,957

Note:

(a) Xingda Xiu Yuan is a limited company whose legal representative and general manager is a close family member of the chairman of the Group.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	As at 30 June 2019 **(unaudited)** **RMB'000**	As at 31 December 2018 (audited) RMB'000
Short-term benefits	**20,336**	20,967
Post-employment benefit	**38**	37
Share-based payments	**1,617**	2,230
	21,991	23,234

The remuneration of Directors and key management is determined by the Remuneration and Management Development Committee having regard to the performance of individuals and market trends.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Financial assets

	Fair value as at				
	30 June 2019	31 December 2018	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant of unobservable inputs**
	RMB'000	*RMB'000*			
Financial assets at fair value through profit or loss	**76,060**	60,249	Level 1	Quoted price in active market.	N/A

Note: There were no transfers between level 1 and level 2 during the six months ended 30 June 2019.

24. OTHER COMMITMENTS

On 12 April 2019, Faith Maple International Ltd. ("Faith Maple"), a direct wholly-owned subsidiary of the Company, entered into a capital increase agreement with 江蘇興宏達實業有限公司 (Jiangsu Xinghongda Industrial Ltd.*), 江蘇興達鋼簾線股份有限公司工會 (Labour Union of Jiangsu Xingda Steel Tyre Cord Co. Ltd.*) and 興化市興戴貿工農總公司 (Xinghua Xingdai Commercial and Industrial Company*), all of them were the existing non-controlling shareholders of Jiangsu Xingda, pursuant to which Faith Maple agreed to inject a total of RMB715,000,000 in cash to subscribe for 220,000,000 new shares of Jiangsu Xingda.

On the same day, Faith Maple also entered into an equity transfer agreement with Jiangsu Xingda, pursuant to which Faith Maple agreed to transfer 90% equity interests in Jiangsu Xingda Special Cord to Jiangsu Xingda at a consideration of RMB676,345,300 (the "Equity Transfer"). Upon completion of the Equity Transfer, Jiangsu Xingda Special Cord will be owned as to 100% by Jiangsu Xingda and will remain as an indirect non-wholly owned subsidiary of the Company.

24. OTHER COMMITMENTS – *CONTINUED*

As a result of the above proposed restructuring, the Group's effective interest in Jiangsu Xingda Special Cord will decrease from approximately 96.95% to approximately 73.44% whereas the Group's effective interest in Jiangsu Xingda will increase from approximately 69.54% to approximately 73.44%. Details are set out in the Company's announcement dated 12 April 2019. As at 30 June 2019, the proposed restructuring was yet to complete.

* for identification only