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XINGDA INTERNATIONAL HOLDINGS LIMITED

興 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1899)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL HIGHLIGHTS

	2006	2005	Growth (%)
	RMB in million		
Revenue	2,516	2,357	6.7
Gross profit	732	709	3.2
EBITDA *(Note)*	745	712	4.6
Profit for the year	345	322	7.1
Profit attributable to equity holders of the Company	194	116	67.2
Earning per share (RMB fen)	21.31	12.91	65.1
Proposed final dividend (HK cent)	4.00	Nil	N/A

Note: It is defined as profit before finance costs, income tax, depreciation, amortization, loss on dilution of interest in a subsidiary and loss on fair value adjustment on the convertible bonds

RESULTS

The board of directors (the "Board") of Xingda International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	**2006** *RMB'000*	**2005** *RMB'000*
Revenue	4	2,516,189	2,357,420
Cost of sales		(1,784,329)	(1,648,118)
Gross profit		731,860	709,302
Other income	5	73,555	57,676
Government grants		10,062	46,649
Selling and distribution expenses		(90,047)	(84,324)
Administrative expenses		(132,872)	(143,478)
Finance costs	6	(88,614)	(84,806)
Loss on fair value adjustment on the convertible bonds		(158,597)	(179,599)
Loss on dilution of interest in a subsidiary		—	(824)
Profit before tax		345,347	320,596
Income tax (charge) credit	7	(478)	1,526
Profit for the year	8	344,869	322,122
Profit attributable to:			
Equity holders of the Company		194,235	116,171
Minority shareholders		150,634	205,951
		344,869	322,122
Dividend attributable to:	9		
Equity holders of the Company		18,627	15,721
Minority shareholders of a subsidiary		8,200	11,199
		26,827	26,920
Earnings per share	10		
Basic (RMB fen)		21.31	12.91
Diluted (RMB fen)		21.31	12.91

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	NOTES	**2006** *RMB'000*	**2005** *RMB'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,879,021	1,670,780
Land use rights		117,783	120,185
Available-for-sale investments		500	500
Deposits paid for purchase of property, plant and equipment		1,017	1,843
		1,998,321	1,793,308
CURRENT ASSETS			
Land use rights		2,487	2,485
Inventories		226,045	303,058
Trade and other receivables	11	1,573,895	990,172
Amount due from a minority shareholder		—	958
Bank balances and cash		1,370,242	294,301
		3,172,669	1,590,974
TOTAL ASSETS		5,170,990	3,384,282
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	129,405	83
Reserves		1,776,410	642,064
		1,905,815	642,147
MINORITY INTERESTS		652,329	509,895
TOTAL EQUITY		2,558,144	1,152,042
NON-CURRENT LIABILITIES			
Bank borrowings - due after one year		200,000	30,000
Convertible bonds		741,791	578,297
Government grants		15,000	7,500
		956,791	615,797

	NOTES	**2006**	**2005**
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and other payables	13	454,139	437,794
Amounts due to directors		319	179
Amount due to a related company		607	15,000
Amounts due to minority shareholders		8,996	48,408
Tax payable		24,541	31,661
Bank borrowings - due within one year		1,159,960	1,077,560
Convertible bonds		7,493	5,841
		1,656,055	1,616,443
TOTAL LIABILITIES		2,612,846	2,232,240
TOTAL EQUITY AND LIABILITIES		5,170,990	3,384,282

NOTES

1. GENERAL

The Company was incorporated on 19 April 2005 in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and its shares were listed on The Stock Exchange of Hong Kong Limited (the "SEHK" or "Stock Exchange") on 21 December 2006.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the SEHK, the Company became the holding company of the Group, as set out in the section headed "Corporate Structure and Reorganisation" in the prospectus issued by the Company on 8 December 2006 (the "Prospectus"). The Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting.

The Company is an investment holding company and the Group is engaged in the manufacturing and trading of radial tire cords and bead wires.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

At the date of authorisation of these financial statements, the following new standards, amendment and interpretations were in issue but not yet effective:

IAS 1(Amendment)	Capital Disclosures[1]
IFRS 7	Financial Instruments: Disclosures[1]
IFRS 8	Operating Segments[2]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]
IFRIC 9	Reassessment of Embedded Derivatives[5]
IFRIC 10	Interim Financial Reporting and Impairment[6]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[7]
IFRIC 12	Services Concession Arrangements[8]

[1]Effective for annual periods beginning on or after 1 January 2007
[2]Effective for annual periods beginning on or after 1 January 2009
[3]Effective for annual periods beginning on or after 1 March 2006
[4]Effective for annual periods beginning on or after 1 May 2006
[5]Effective for annual periods beginning on or after 1 June 2006
[6]Effective for annual periods beginning on or after 1 November 2006
[7]Effective for annual periods beginning on or after 1 March 2007
[8]Effective for annual periods beginning on or after 1 January 2008

The Group has not early applied the above new standards, amendment and interpretations. The directors of the Company ("Directors") anticipate that the application of these standards, amendment and interpretations in future periods will have no material financial impact on how the results and financial position of the Group are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair values.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

4. REVENUE

Revenue represents amounts receivable for sales of radial tire cords and bead wires in the normal course of business, net of discount.

The Group's operations are located in the People's Republic of China (the "PRC") and substantially all of the Group's consolidated revenue and segment profit from operations are derived from the manufacture and trading of radial tire cords are bead wires. Accordingly, no analyses by business segment and geographical area of operations are provided.

5. OTHER INCOME

	2006 *RMB'000*	**2005** *RMB'000*
Sales of scrap materials	26,762	29,457
Interest income	26,823	17,599
Interest income on loans receivable	—	604
Gain on disposal of property, plant and equipment	—	170
Sundry income	5,288	3,893
Net foreign exchange gain	14,682	5,953
	73,555	57,676

6. FINANCE COSTS

	2006 *RMB'000*	**2005** *RMB'000*
Interest on:		
Bank loans wholly repayable within five years	72,328	59,004
Note receivables discounted	16,286	25,802
	88,614	84,806

7. INCOME TAX CHARGE (CREDIT)

	2006	2005
	RMB'000	*RMB'000*
The charge (credit) comprises:		
Current tax		
Current year	1,087	2,633
Overprovision in prior year	(609)	—
	478	2,633
Deferred tax	—	(4,159)
	478	(1,526)

The tax charge for the years ended 31 December 2005 and 2006 represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of the group entity in the PRC.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's profits neither arose in nor were derived from Hong Kong for both years.

Pursuant to the applicable tax laws and regulations of the PRC, a subsidiary within the Group enjoyed tax exemptions from PRC Foreign Enterprise Income Tax ("FEIT") for the years ended 31 December 2005 and 2006, followed by a 50% tax relief for the next three years.

The tax charge (credit) for the year can be reconciled to the profit before tax per the income statement as follows:

	2006	2005
	RMB'000	*RMB'000*
Profit before tax	345,347	320,596
Tax at the PRC tax rate of 33%	113,965	105,797
Tax effect of fair value adjustment on the convertible bonds not deductible for tax purposes	52,337	59,268
Tax effect of expenses not deductible for tax purposes	54,279	8,250
Tax effect of income not taxable for tax purposes	(7,308)	(1,793)
Tax effect of tax exemption	(212,163)	(173,048)
Overprovision in prior year	(609)	—
Others	(23)	—
Tax charge (credit) for the year	478	(1,526)

8. PROFIT FOR THE YEAR

	2006	2005
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging and (crediting):		
Directors' remuneration	30,374	13,053
Other staff costs	149,776	136,443
Retirement benefits scheme contributions		
Current year	4,132	7,466
Overprovision in prior year	(4,132)	—
Total staff costs	180,150	156,962
Auditors' remuneration	1,120	166
Amortisation of land use rights	2,523	1,718
Depreciation for property, plant and equipment	149,555	124,212
Gain on disposal of property, plant and equipment	—	(170)
Research and development expenditure	15,723	26,345
Transaction costs in respect of issue of the convertible bonds	629	9,999
Impairment loss recognised in respect of trade and other receivables	4,833	—

9. DIVIDENDS

	2006	2005
	RMB'000	*RMB'000*
Ordinary shares:		
Interim paid - US$232.96 per share	18,627	—

During the year, a subsidiary had paid dividend to its shareholders prior to the Group Reorganisation (after elimination of intra-group dividends) as follows:

	2006	2005
	RMB'000	*RMB'000*
Equity holders of the Company	—	15,721
Minority shareholders	8,200	11,199
	8,200	26,920

The final dividend for the year ended 31 December 2006 of HK4.00 cents (2005: nil) per ordinary share has been proposed by the directors of the Company ("Directors") and is subject to approval by its shareholders in general meeting.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit attributable to the equity holders of the Company for the year and by reference to the weighted average number of shares of 911,632,877 (2005: 900,000,000).

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share for both years.

The basic earning per share of the Company is the same as the diluted earnings per share for both years.

11. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2006	2005
	RMB'000	*RMB'000*
Trade receivables		
0 - 90 days	632,378	638,108
91 - 180 days	236,585	90,597
181 - 360 days	54,528	405
Over 360 days	6,082	4,252
	929,573	733,362
Less: Accumulated impairment loss	(6,082)	(4,572)
	923,491	728,790
Note receivables		
0 - 90 days	356,474	127,610
91 - 180 days	181,142	25,430
181 - 360 days	2,636	408
	540,252	153,448
Advance to suppliers of raw materials	71,903	60,136
Import tax and value-added tax receivable from the PRC customs	7,619	10,777
Refundable deposits paid for purchase of land use rights	—	8,593
Other receivables and prepayments	30,750	28,948
Less: Accumulated impairment losses	(120)	(520)
	110,152	107,934
	1,573,895	990,172

12. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
		US$	*RMB'000*
Authorised:			
Ordinary shares of US$1 each on incorporation at 31 December 2005 and 1 January 2006	50,000	50,000	413
		HK$	
Re-denomination from US$ to HK$ and subdivision of shares by 1 into 78 shares of HK$0.10 each on 3 December 2006	3,900,000	390,000	413
Increase on 3 December 2006	2,996,100,000	299,610,000	300,997
At 31 December 2006	3,000,000,000	300,000,000	301,410

	Number of shares	Amount	Equivalent to
		US$	*RMB'000*
Issued and fully paid:			
Ordinary shares of US$1 on incorporation	1	1	—
Increase on 28 April 2005	99	99	1
Further increase on 28 April 2005	9,900	9,900	82
At 31 December 2005 and 1 January 2006	10,000	10,000	83
		HK$	
Re-denomination from US$ to HK$ and subdivision of shares by 1 into 78 shares of HK$0.10 each on 3 December 2006	780,000	78,000	83
Capitalisation of the share premium account	899,220,000	89,922,000	90,500
Issue of shares on 21 December 2006	386,000,000	38,600,000	38,822
At 31 December 2006	1,286,000,000	128,600,000	129,405

13. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2006 *RMB'000*	2005 *RMB'000*
Trade payables		
0 - 90 days	146,334	108,257
91 - 180 days	18,224	26,579
181 - 360 days	5,427	14,169
Over 360 days	9,071	6,364
	179,056	155,369
Value-added tax payables and other payables	13,715	18,560
Accrued staff costs	78,998	64,296
Payables for purchase of property, plant and equipment	113,884	164,471
Accrued listing expenses	21,375	—
Other payables	47,111	35,098
	275,083	282,425
	454,139	437,794

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The PRC's automotive industry experienced a decade of continuous growth. According to the National Bureau of Statistics of China, the country's total automobile output in 2006 was 27.6% more than that in 2005, and output of the upstream tire industry was also on the up trend. A China Rubber Industry Association survey covering 44 member companies found the aggregate output of tires in 2006 standing at 189 million units, a surge of 11.4% when compared with 2005. Of the total output, 127 million units were radial tires, about 21.1% more than that of the previous year.

As more and more international tire manufacturers move their production base to and continue to purchase high quality raw materials and parts from the PRC, the country's radial tire export has been climbing fast. In 2006, the PRC's top ten tire manufacturers together shipped 81.6 million tires overseas, 16.4% more than in 2005. Of all the tires exported, 62.9 million, or 77.6%, were radial tires.

The booming tire industry in the PRC is driving demand for tire cords, the principal backbone materials of tires. However, since the tire industry has a high technological entry barrier and a tire cord manufacturer may take up to three years to pass all tests and obtain the required certifications, it is still a highly concentrated industry.

BUSINESS REVIEW

The Group manufactures primarily radial tire cords and bead wires and offers to China and global renowned tire manufacturers in the PRC and the rest of the world.

In 2006, the Group's total sales volume registered double-digit growth to 194,000 tonnes, 15.2% more than that in 2005. Riding on the higher profit of radial tire cords than bead wires, the Group focused its sales of radial tire cords with sales volume increased 19.2% to 167,000 tonnes, accounting for 86.1% of the Group's total sales volume (2005: 83.2%). The sales volume of bead wires dropped relatively by 4.6% to 27,000 tonnes, accounting for 13.9% of the Group's total sales volume (2005: 16.8%).

During the year, of the 167,000 tonnes of radial tire cords sold by the Group, 80.2% were used in tires for truck and 19.8% were used in tires for passenger car (2005: 85.2% and 14.8% respectively). Export volume during the year has increased substantially, among which large proportion was radial tire cords for passenger car with its sales volume pushed up 59.9% to 33,100 tonnes. Growth in sales of radial tire cords for truck was relatively stable, 12.1% higher than in 2005, reaching 133,900 tonnes.

With increasing number of overseas customers and their respective orders, overseas sales volume of radial tire cords substantially increased 3.5 times to 8,300 tonnes during the year when compared with 2005. Domestic sales volume of radial tire cords grew 14.8% to 158,700 tonnes. The proportion of sales volume of radial tire cords to domestic and overseas markets was 95.0% and 5.0% in 2006 respectively (2005:98.7% and 1.3% respectively).

During the year, the Group's raw materials accounted for 71.6% of the total cost of sales (2005:73.0%), in which 53.1% (2005: 62.1%) of the total cost of sales was steel wire rods. The drop of its proportion was the results of increasing consumption of domestic steel wire rods of which the unit cost was comparatively lower than imported steel wire rods, together with the decrease in unit cost of both domestic and imported steel wire rods.

To cater for increasing orders from its growing clientele, the Group actively enhanced and expanded production capacity during the year. In 2006, the Group's production capacity for radial tire cords and bead wires were 194,100 tonnes and 39,000 tonnes respectively, representing an increase of 14.8% and 1.8% when compared with 2005. During the year, the Group maintained an 85% utilization rate of the production capacity for radial tire cords.

To enhance its reputation and competitiveness in the global market, the Group has been active in research and development. Its technical center and new product development center are forging ahead with researching the latest technologies, and developing and improving production equipment. In 2006, the Group successfully developed 5 new types of radial tire cords. As at the end of 2006, the Group had 46 types of radial tire cords and 18 types of bead wires on offer to meet customers' diverse needs.

PROSPECTS

The Group believes that, riding on the booming Chinese economy and supportive government policies, the automobile industry will continue to grow rapidly. According to the development plan of the country's road construction, vehicle and transportation, by 2010, the PRC will have highways stretching a total of 55,000 km and 62 million vehicles on the road. This, in turn, translating into a demand of tires to 300 million of which 210 million will be radial tires. For the global industry, the PRC's cost advantage will continue to be a major attraction. Apart from using raw materials from the country to make tires, manufacturers from around the world will continue to outsource production to the PRC. Taking into account the development pace of the radial tire cord industry, the Group expects strong market demand to persist in the next few years favoring manufacturers who can quickly ramp up production.

Apart from the expansion plans, the Group will monitor the movement of steel wire rod price closely. Following the downtrend of steel wire rods price in 2006, the unit price dropped further in the first quarter of 2007. In view of the adequate supply of steel wire rods, the Group expects the price of steel wire rods will remain fairly stable in 2007.

To maintain a more competitive cost structure, the Group will continue to source a higher portion of steel wire rods locally. Leveraging on the Group's bulk consumption volume, the Group is able to negotiate a better price on the steel wire rods with the suppliers. The Group will strive to strengthen the relationships with the suppliers and enter into long term contracts with the major suppliers to secure a stable steel wire rod price.

Boasting leadership in the rosy radial tire cord market, the Group firmly believes its business will prosper in the long run. The Group will implement various strategies to realize two major goals, which are strengthening its leadership in the PRC and growing in the international market. The Group will follow industry trends and look for acquisition opportunities that can allow it to expand its business and seize market share quickly. As its operation continues to grow, the Group is confident of lowering operational cost and achieving greater economies of scale, and ultimately boosting its overall profitability. The Group is very optimistic about its outlook and believes it will continue to lead the industry and make strides into the global market, moving ever closer to its goal of becoming one of the largest radial tire cord suppliers in the world.

FINANCIAL REVIEW

Revenue

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

RMB in million	2006	Proportion (%)	2005	Proportion (%)	Change
Radial Tire Cord	2,369	94	2,200	93	+169
- *For Truck*	1,971	78	1,949	83	+22
- *For Passenger Car*	398	16	251	10	+147
Bead Wire	147	6	157	7	-10
Total	2,516	100	2,357	100	+159

Revenue increased by RMB158.8 million, or 6.7% from 2,357.4 million in 2005 to RMB2,516.2 million in 2006 due to the strong domestic demand in radial tire cord in the PRC and the significant increase in overseas sales of radial tire cords for passenger car, partially offset by the decrease in revenue from sales of bead wires.

Gross profit and gross profit margin

Gross profit increased by RMB22.6 million, or 3.2%, from RMB709.3 million in 2005 to RMB731.9 million in 2006 due to the increase in export sales particular in radial tire cords for passenger car which offers a higher profit margin compared to domestic sales. However, the overall gross profit margin decreased slightly from 30.1% in 2005 to 29.1% in 2006 due to the increase in sales of radial tire cords for passenger car with a lower selling price in general than the radial tire cords for truck and the drop in average selling price of the products especially radial tire cords for truck.

Other income and government grant

Other income increased by RMB15.9 million, or 27.6%, from RMB57.7 million in 2005 to RMB73.6 million in 2006. The increase was due to the increase in interest income and net foreign exchange gain. Government grant decreased by RMB36.5 million, or 78.3%, from RMB46.6 million in 2005 to RMB10.1 million in 2006 was mainly due to a reduction in incentive subsidies received from the local government and no incentive fund for the promotion of technological transformation was received in 2006.

Operating expenses

Selling and distribution expenses increased by RMB5.7 million, or 6.8% from RMB84.3 million in 2005 to RMB90.0 million in 2006 due to the growth in sales volume. However, administrative expenses decreased by RMB10.6 million, or 7.4%, from RMB143.5 million in 2005 to RMB132.9 million in 2006 due to the effective cost control exercised by the Group in 2006.

Finance costs

The finance costs increased by RMB3.8 million, or 4.5% from RMB84.8 million in 2005 to RMB88.6 million in 2006 because of the increase in interest on bank borrowings wholly repayable within five years, partially offset by the decrease in discount on note receivable. The increase on bank borrowings wholly repayable within five years reflected an increase in the balance of bank borrowings and increase in interest rate. The decrease in discount on note receivable reflected an increasing portion of payments from our customers that were made in cash, as compared to bank notes during the year ended 31 December 2006.

Fair value adjustment on convertible bonds

The Company issued convertible bonds of USD30.4 million, USD19.7 million and USD3.9 million (the "Convertible Bonds") on 7 May 2005, 29 December 2005 and 18 January 2006 respectively with a coupon rate of 1% per annum and a maturity date of three years from the date of issue. Under International Accounting Standard 32 and 39, the Convertible Bonds have to be stated at fair value which is determined by an independent expert valuer as at each period end. The fair value of the Convertible Bonds is arrived at after using the Black-Scholes option pricing model with the input of various variables including the closing share price, the volatility of the market for the Company's shares and the time to maturity of the Convertible Bonds.

The loss on fair value adjustment on the Convertible Bonds was RMB158.6 million in 2006 which dropped by RMB21.0 million, or 11.7% compared to RMB179.6 million in 2005. The loss in 2006 was mainly contributed by the rise in price of the Company's share from the estimate of HK$2.65 as at 31 December 2005 to the closing price of HK$3.18 as at 29 December 2006 (the last trading day of 2006) whereas the loss in 2005 was mainly contributed by the effect on new issue of Convertible Bonds of approximately USD50.1 million.

Profit Attributable to Equity Holders of the Company

The profit attributable to the equity holders of the Company increased by RMB78.0 million, or 67.2% from RMB116.2 million in 2005 to RMB194.2 million in 2006. This increase was mainly due to the additional 11.1% share of net profit from Jiangsu Xingda Steel Tyre Cord Co., Ltd. ("Jiangsu Xingda") since 2 November 2005 and the drop in the loss on fair value adjustment on the Convertible Bonds in 2006.

LIQUIDITY AND CAPITAL RESOURCES

The principal sources of liquidity and capital resources have been cash flow from operations and proceeds from financing including bank borrowings. In addition, the Group has obtained cash from issuance of Convertible Bonds and proceeds from initial public offering. The principal uses of cash were operational costs and expansion of production capacity.

As of 31 December 2006, the Group had net current assets of RMB1,516.6 million. As of that date, the current assets of the Group were mainly comprised of trade and other receivables of RMB1,573.9 million, bank balances and cash of RMB1,370.2 million and inventories of RMB226.0 million whereas the current liabilities of the Group were mainly comprised of bank borrowings due within one year of RMB1,160.0 million and trade and other payables of RMB454.1 million.

Bank balances and cash including bank deposits of the Group increased by RMB1,075.9 million from RMB294.3 million as at 31 December 2005 to RMB1,370.2 million as at 31 December 2006. The increase was contributed by the net cash generated from operating activities of RMB241.1 million together with the net cash generated from financing activities of RMB1,230.5 million which was mainly attributable to the net proceeds from initial public offerings and the net increase in bank borrowings, partially offset by the net cash used in investing activities of RMB395.7 million for the expansion of production capacity.

Bank borrowings increased by RMB252.4 million, or 22.8% from RMB1,107.6 million as at 31 December 2005 to RMB1,360.0 million as at 31 December 2006. The increase was mainly contributed by the net increase in medium term bank borrowings of RMB170.0 million for financing the expansion of capacity and the net increase in short term borrowing of RMB82.4 million to meet the demand on working capital. All the bank borrowings were denominated in Renminbi.

The Group's current ratio which is defined as current assets over current liabilities improved significant from 0.98 time for 2005 to 1.92 times for 2006 which is mainly attributable to the net proceeds received by the Company from the initial public offering in December 2006. The gearing ratio which is measured by total debts (bank borrowings and Convertible Bonds) to total assets decreased from 50% in 2005 to 41% in 2006 due to the increase in cash and bank balances, partially offset by the increase in bank borrowings and Convertible Bonds.

CAPITAL COMMITMENTS

As at 31 December 2006, the Group had capital commitment in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements of approximately RMB85.5 million (2005: RMB152.3 million). The Group did not have any capital commitment in respect of acquisition of property, plant and equipment authorized but not contracted for as at 31 December 2006 (2005: RMB290.2 million).

CONTINGENT LIABILITIES

At as 31 December 2006, save for the contingent monetary liability of up to RMB6.0 million as disclosed below, the Group did not have any material contingent liabilities and guarantees. No provision has been recognized at 31 December 2006 as the Directors concur with the legal opinion that the chance of being liable for repaying RMB6.0 million is remote.

This contingent liability relates to the dividend of RMB6 million declared and paid by Jiangsu Xingda to Jiangsu Xing Hong Da Industrial Co., Ltd. ("Xing Hong Da") which is a minority shareholders of Jiangsu Xingda for the year ended 31 December 2004. Given that Xing Hong Da's shareholding in Jiangsu Xingda has been frozen by the PRC courts since 1 September, 2004 and according to the 最高人民法院關於人民法院執行工作若干問題的規定 (Provisions of Supreme People's Court on Several Issues Concerning the Enforcement by People's Courts) ("Trial Implementation Provisions"), such dividend payment by Jiangsu Xingda to Xing Hong Da was prohibited. The Group was advised by the PRC legal advisors that the legal consequence on the Group in connection with this dividend payment is confined to a potential monetary liability of up to RMB6.0 million. The controlling shareholders have agreed to indemnify Jiangsu Xingda in respect of any losses and damages which it may incur in relation to such breach of the Trial Implementation Provisions.

PLEDGE OF ASSETS

As at 31 December 2006, the Group had pledged land use right and property, plant and equipment with an aggregate carrying value of approximately RMB808.5 million (2005: RMB576.9 million) to secure its bank borrowings.

FOREIGN EXCHANGE RISK

The Group's sales were principally denominated in Renminbi and US dollars whereas purchases were also transacted mainly in Renminbi and US dollars. Although the Group experienced significant growth in export sales which were settled in US dollars, the amount received from export sales had been fully utilized for the payment in US dollars. The appreciation of Renminbi in 2006 brought positive effect to the Group's operation as certain costs of sales including purchases of import steel rods are made in US dollars. As at 31 December 2006, most of the Group's assets and liabilities are denominated in Renminbi except for bank balances equivalent to approximately RMB1,235.5 million and convertible bonds in historical cost equivalent to approximately RMB421.7 million were denominated in US dollars and HK dollars. As HK dollar is pegged to US dollar, the net amount under currency exposure was approximately RMB813.8 million. About RMB508 million which is denominated in HK dollars will be invested in the subsidiaries in the PRC and be converted into Renminbi in the near future subject to the approval of the relevant authority in the PRC. The Directors consider the exchange rate among US dollar, HK dollar and RMB will not fluctuate significantly, and thus no financial instruments have been used for hedging purposes.

HUMAN RESOURCES

As at 31 December 2006, the Group had approximately 5,800 (2005: approximately 5,000) full time employees and most of whom were based in the PRC. The remuneration packages which consist of salaries and bonuses are based on the employees' merit, qualifications and competence and are generally reviewed annually. The Group continues to provide training programs for staff to enhance technical and product knowledge as well as knowledge of industry quality standards.

DIVIDEND

An interim dividend of US$232.96 per share amounting to US$2,329,600 (equivalent to approximately RMB18,627,000) was paid to the then shareholders of the Company prior to the listing of the Company on the SEHK during the year.

The Board has recommended the payment of a final dividend of HK4 cents per share for the financial year ended 31 December 2006 to the shareholders whose names appear on the register of members of the Company on 28 May 2007. The final dividend will be payable on Friday, 22 June 2007.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Monday, 28 May 2007, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Monday, 21 May 2007 to Monday, 28 May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Monday, 28 May 2007, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30p.m. on Friday, 18 May 2007.

TRADING RESULTS AND PUBLISHED FORECAST

The Group's consolidated profit attributable to the equity holders of the Company of RMB194.2 million represents a deficit of RMB68.2 million, or 26.0% over the profit forecast of RMB262.4 million contained in the Prospectus (the "Forecast Profit"). The deficit is mainly attributable to the change in fair value of convertible bonds for the six months ended 31 December 2006 which was greatly affected by the closing price of the Company's share price as at year end. The actual closing price of the Company's share as at 29 December 2006 (the last trading day of 2006) was HK$3.18 which is being approximately 16% higher than the assumed share price of HK$2.75, which as a result, reduced the Group's consolidated profit by RMB84.8 million. Please make reference to such information and analysis already disclosed in the Appendix III headed "Profit Forecast" of the Prospectus.

In the absence of the effect of change in fair value of the convertible bonds, the Group's consolidated profit attributable to the equity holders of the Company of RMB352.8 million represents an excess of RMB16.6 million, or 4.9% over the Forecast Profit before the loss on fair value adjustment on the convertible bonds of RMB336.2 million. The surplus was mainly contributed by the growth of the major customers of the Group in the PRC and North America.

USE OF PROCEEDS

The net proceeds from the Company's issue of new shares at its listing on the Stock Exchange, amounted to approximately HK$1,087 million, which are intended to be applied for the purposes stated in the Prospectus. Up to 31 December 2006, the Group has not yet utilised any of the net proceeds and the amount is temporarily placed in short term deposits with licensed banks in Hong Kong and the PRC.

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 year ended 31 December 2006.

CORPORATE GOVERNANCE PRACTICES

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

The Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") came into effect prior the Group being listed on the Main Board of SEHK on 21 December 2006 (the "Listing Date"). The Company has applied the principles in and complied with the code provisions of the CG Code since the Listing Date, except for the deviation from code provision A.2.1 which provides that the roles of chairman and chief executive officer 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 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 five executive Directors, the Executive Committee of the Company (comprising four executive Directors since the Listing Date) 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code from the Listing Date to 31 December 2006.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with management the accounting principles and practice adopted by the Group, discussed auditing, financial reporting matters and has reviewed the annual results for the year ended 31 December 2006. In addition, the consolidated financial statements of the Group for the year ended 31 December 2006 have been audited by the Group's auditors, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report was issued.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This announcement is posted on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The annual report will be despatched to the shareholders and available on the same websites in due course.

APPRECIATION

The Board would like to express its gratitude to all employees for their diligence and contribution. At the same time, the Board is also thankful for the support it has from all the customers, suppliers and shareholders of the Group. The Group will continue to work as a team to push for more brilliant results in 2007.

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

Shanghai, the PRC, 3 April, 2007

As at the date of this announcement, the executive Directors are Mr. LIU Jinlan, Mr. LIU Xiang, Mr. TAO Jinxiang, Mr. WU Xinghua, Mr. CAO Junyong and Mr. ZHANG Yuxiao, the non-executive Directors are Mr. LU Guangming George, Ms. WU Xiaohui and Mr. ZHOU Mingchen and the independent non-executive Directors are Mr. KOO Fook Sun, Louis, Mr. William John SHARP and Ms. XU Chunhua.